FIFTEEN HUNDRED
DON MILLS ROAD

Marathon Realty Co. Ltd

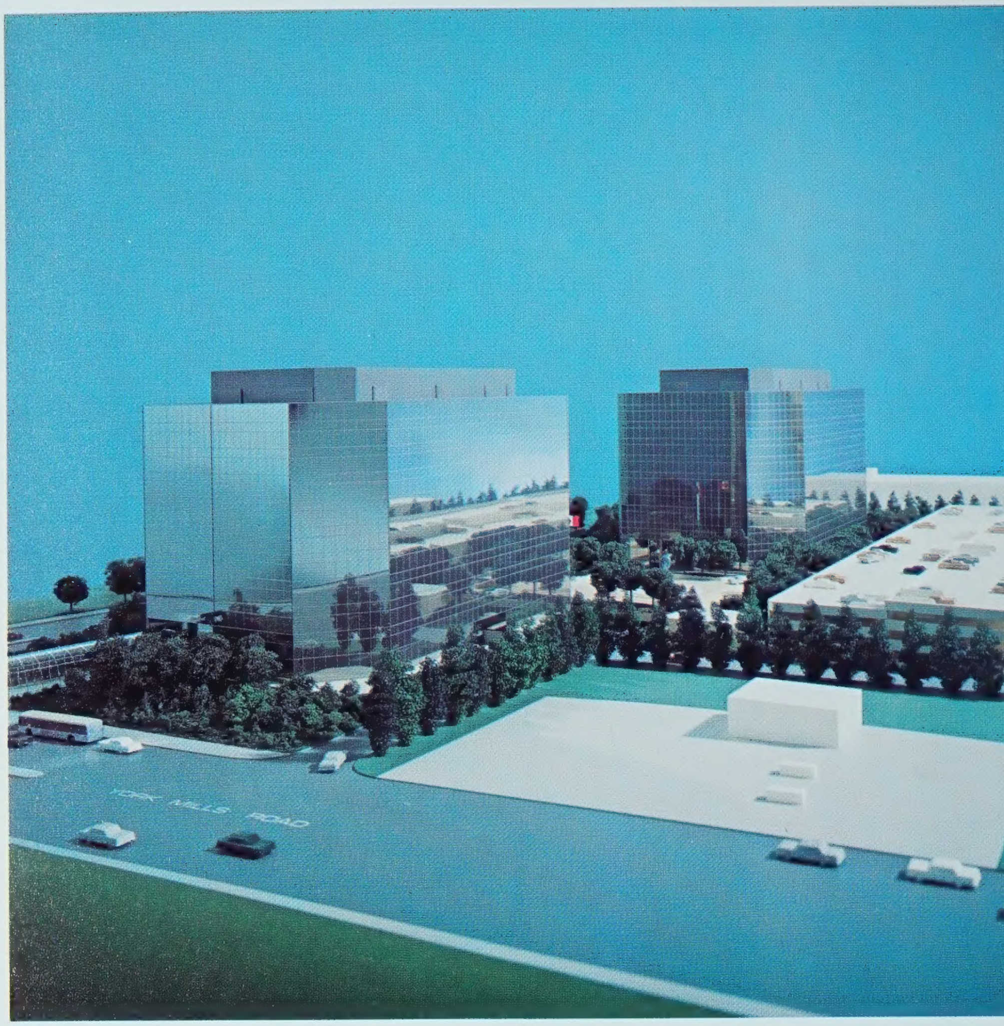
A Project of

MARATHON
REALTY COMPANY LIMITED

WORKSPACE

. a modern office complex at the cross-
ads of two of North York's major traffic
teries, a distinctive concept, distinctive
ldress — we invite you to consider . . .
00 Don Mills Road.

FIFTEEN
HUNDRED
DON MILLS ROAD



Why move?

Changing a business location, whether it is of necessity or preference, is a major business event for any organization. Deciding to move, and then where to move involves time, planning and consideration of a seemingly endless list of decisions.

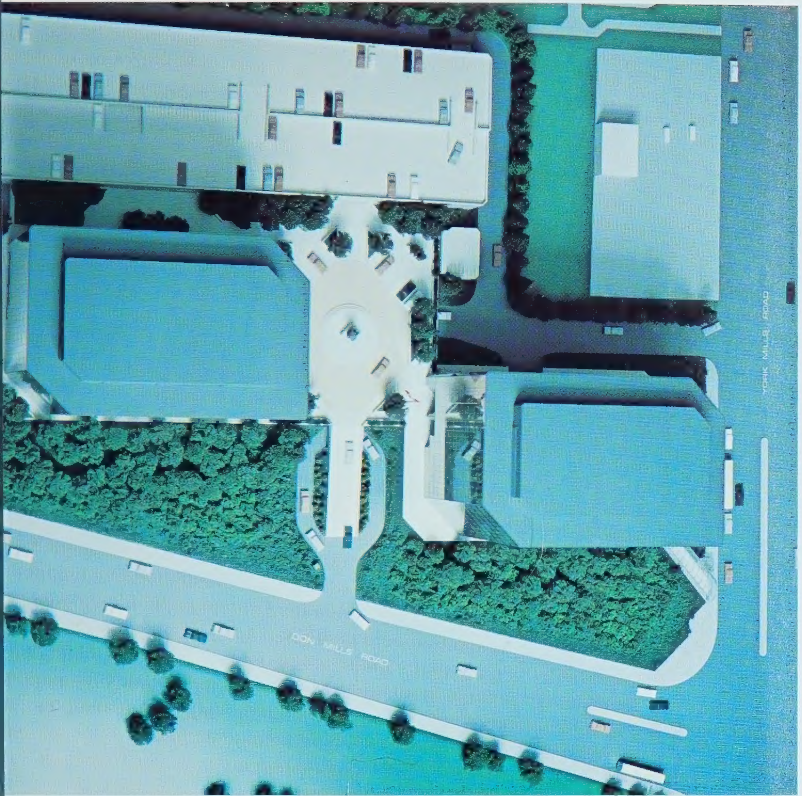
We hope the information in this portfolio will make the decisions a little easier.

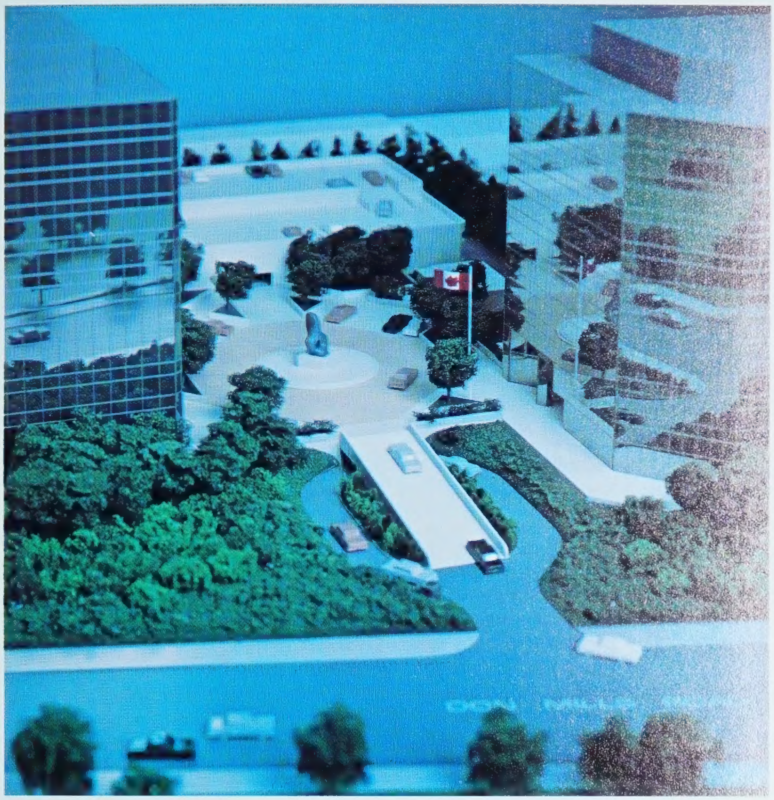
What are the considerations?

For most businesses, changing an office location is an infrequent necessity, but when it happens, some major considerations seem to be more important than others: — location, proximity to public transportation, availability of skilled labour, parking, building design, floor layout, energy conservation, property management, reputation of the landlord, occupancy dates and rental rates.

Location

Probably one of the most convenient locations in Toronto. North/South and East/West public transit literally stops at the front door. Twenty minutes from the airport or downtown in non-rush hour traffic, the complex is in the middle of one of Toronto's major residential areas providing an excellent source of clerical help. Easy vehicular access, abundant parking and a parkland setting are some of the attractive features of 1500 Don Mills Road.





Quality of Space

Choosing new office space is not simply a matter of numbers, dollars and square feet. Consideration should be given to the corporate image, the advantage of a restful atmosphere which is conducive to productivity. The rental rate, as an expense item, pales into insignificance when compared to the expense of payroll. A well designed, climate controlled, bright office pays enormous dividends in employee comfort.

Inside the two ten-storey structures, office floor layouts have a space efficiency of over 90%. Energy conservation features include solar heat-reflecting double glazed curtain wall and windows, a highly efficient heating and air-conditioning system and a specially designed coffered ceiling incorporating a task lighting system that reduces wattage consumption by as much at 50%.

Outside, the design of the two main structures is modern and distinctive. The glass-sheathed exteriors harmonize beautifully with the relaxing parkland setting. Congestion, parking problems and pollution are greatly reduced.

Rental Rates

The complex offers prestigious accommodation at rental rates, comparable to existing office structures in the area and considerably below office rates for similar accommodation downtown.

Occupancy

The first phase of the project will be ready for occupancy in the Fall of 1979. The second ten-storey phase is scheduled for completion in the early 1980's.

Leasing Information

Call David Puddicombe

MARATHON
REALTY COMPANY LIMITED

(416) 869-0990

Suite 1210
69 Yonge Street
Toronto, Ontario M5E 1K3

Why move?

Changing a business location, whether it is of necessity or preference, is a major business event for any organization. Deciding to move, and then where to move involves time, planning and consideration of a seemingly endless list of decisions.

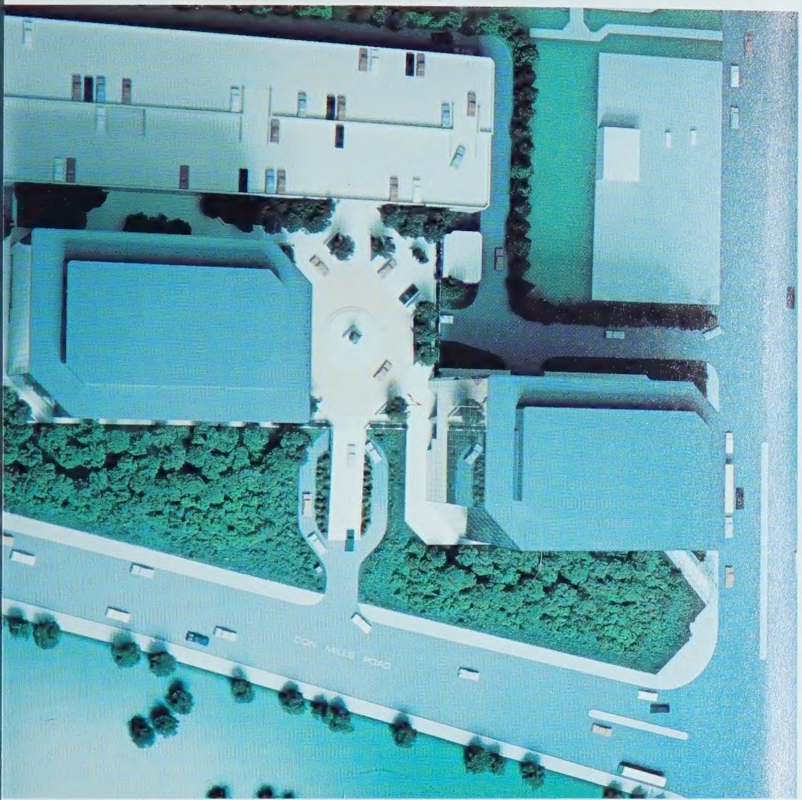
We hope the information in this portfolio will make the decisions a little easier.

What are the considerations?

For most businesses, changing an office location is an infrequent necessity, but when it happens, some major considerations seem to be more important than others: — location, proximity to public transportation, availability of skilled labour, parking, building design, floor layout, energy conservation, property management, reputation of the landlord, occupancy dates and rental rates.

Location

Probably one of the most convenient locations in Toronto. North/South and East/West public transit literally stops at the front door. Twenty minutes from the airport or downtown in non-rush hour traffic, the complex is in the middle of one of Toronto's major residential areas providing an excellent source of clerical help. Easy vehicular access, abundant parking and a parkland setting are some of the attractive features of 1500 Don Mills Road.



Quality of Space

Choosing new office space is not simply a matter of numbers, dollars and square feet. Consideration should be given to the corporate image, the advantage of a restful atmosphere which is conducive to productivity. The rental rate, as an expense item, pales into insignificance when compared to the expense of payroll. A well designed, climate controlled, bright office pays enormous dividends in employee comfort.

Inside the two ten-storey structures, office floor layouts have a space efficiency of over 90%. Energy conservation features include solar heat-reflecting double glazed curtain wall and windows, a highly efficient heating and air-conditioning system and a specially designed coffered ceiling incorporating a task lighting system that reduces wattage consumption by as much at 50%.

Outside, the design of the two main structures is modern and distinctive. The glass-sheathed exteriors harmonize beautifully with the relaxing parkland setting. Congestion, parking problems and pollution are greatly reduced.

Rental Rates

The complex offers prestigious accommodation at rental rates, comparable to existing office structures in the area and considerably below office rates for similar accommodation downtown.

Occupancy

The first phase of the project will be ready for occupancy in the Fall of 1979. The second ten-storey phase is scheduled for completion in the early 1980's.

Leasing Information

Call David Puddicombe

MARATHON REALTY COMPANY LIMITED

(416) 869-0990

Suite 1210
69 Yonge Street
Toronto, Ontario M5E 1K3

FIFTEEN HUNDRED

DON MILLS ROAD

FACTS

General Description	The two phase complex comprises two 10-storey modern office buildings and a 1,200 car parking structure.
Availability for Occupancy	Phase I — September 1979 Phase II — Early 1980's
Site Location	Southwest corner of Don Mills and York Mills Roads, Borough of North York
Site Size	6 acres fully landscaped Open area 47% (completed project)
Parking	Phase I — 450 cars (surface) Phase II — 1,200 cars (covered parkade)
Vehicular Access	Three entrances and exits; 2 off Don Mills Road, 1 off York Mills Road
Gross Floor Area	250,000 square feet each building
Net Leasable Area	200,000 square feet each building
Full Floor Average Rentable Area	22,400 square feet
Retail Facilities	Bank and Restaurant — Phase I
Proximity to Traffic Arteries	By automobile, site is 4 minutes to Don Valley Parkway, 6 minutes to Highway 401, and 20 minutes to either downtown core or airport
Public Transit	North/South and East/West buses stop at site's intersection 12 minutes by bus to North/South subway
Community	North York, progressive; rapidly growing, well-run Borough
Labour	Large adjacent residential area. Excellent source of clerical and executive personnel
Exterior	Two distinctive silver mirrored mid-rise structures. Solar heat reflective double-glazed windows and curtain wall.
Column Span	30′ x 30′ (centre to centre)
Floor Loading	75 pounds per square foot

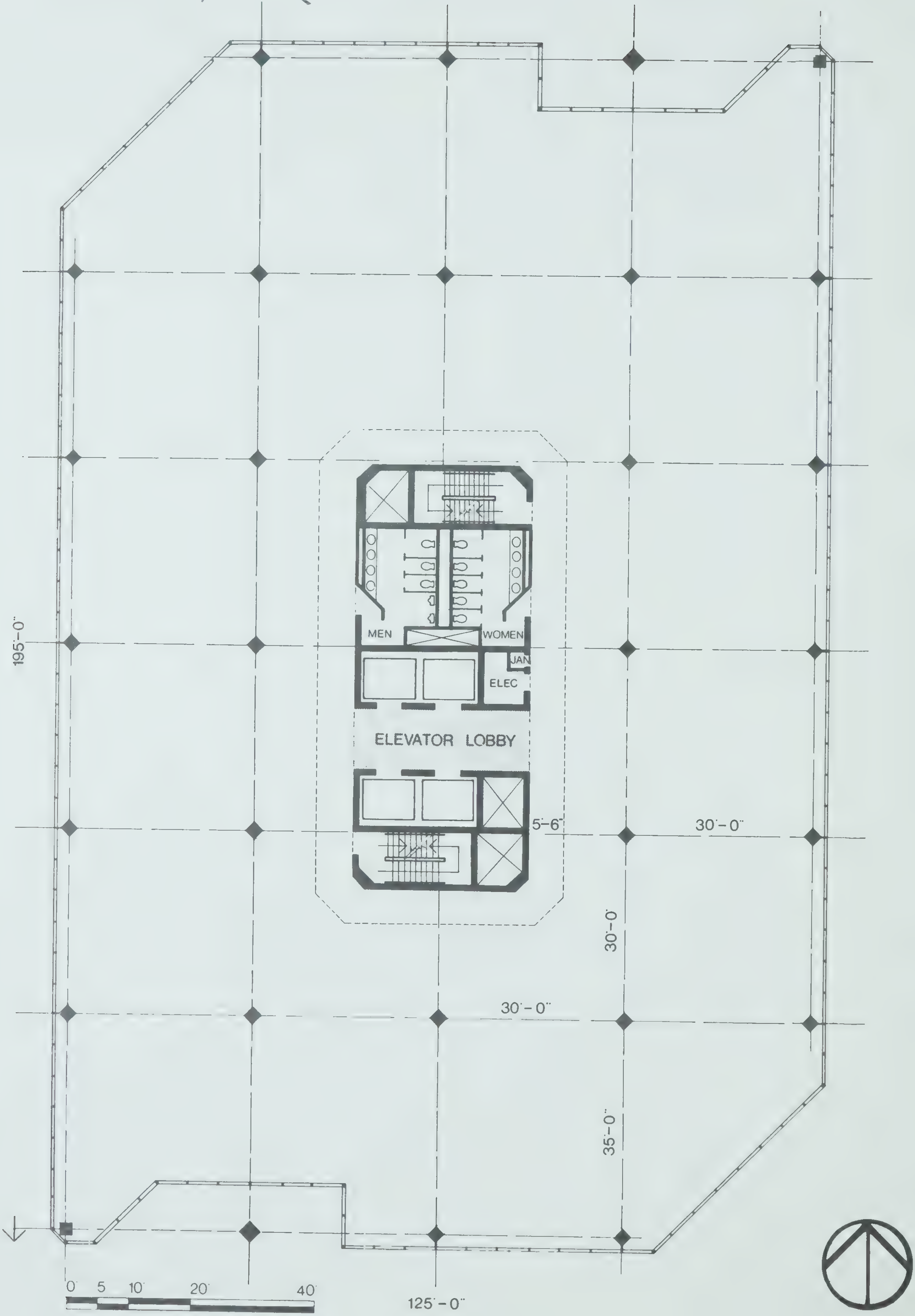
Ceiling Height	8'9" (Doors — Floor to ceiling)
Ceilings	Task lighting in fully flexible 5-foot modular coffered ceiling grid, 75-foot candles average desk level lighting
Utilities	All services in ceiling plenum; electrical, telephone, air conditioning, heating, intercom
Fire Protection	Fully sprinklered — complete self-monitoring fire alarm system Back-up emergency exit lighting. All fire regulations met or exceeded.
Elevators	Four high speed automatic elevators programmed for equality of service to all floors
Energy Conservation	• Double glazed heat reflecting windows • Coffered ceiling design and lighting permits half usual wattage per square foot, thus reducing air conditioning costs • Low energy compartmental variable column air conditioning with continuous 12 month operation • Heat pumps re-use heat from machines, lights and people for building heating • Individual thermostat controls available for each tenant providing rapid reaction to changing air conditioning loads
Developer, Owner & Property Manager	Marathon Realty Company Limited
Architects	Parkin Partnership Architects Planners
Structural Engineers	Parkin Engineers Limited
Mechanical/Electrical Engineers	Nicholas Rusz & Associates Limited
General Contractors	Camston Toronto Limited
Leasing Information	Call David Puddicombe **(416) 869-0990** or write MARATHON Suite 1210 69 Yonge Street Toronto, Ontario M5E 1K3

FIFTEEN HUNDRED
DON MILLS ROAD

FLOOR PLANS

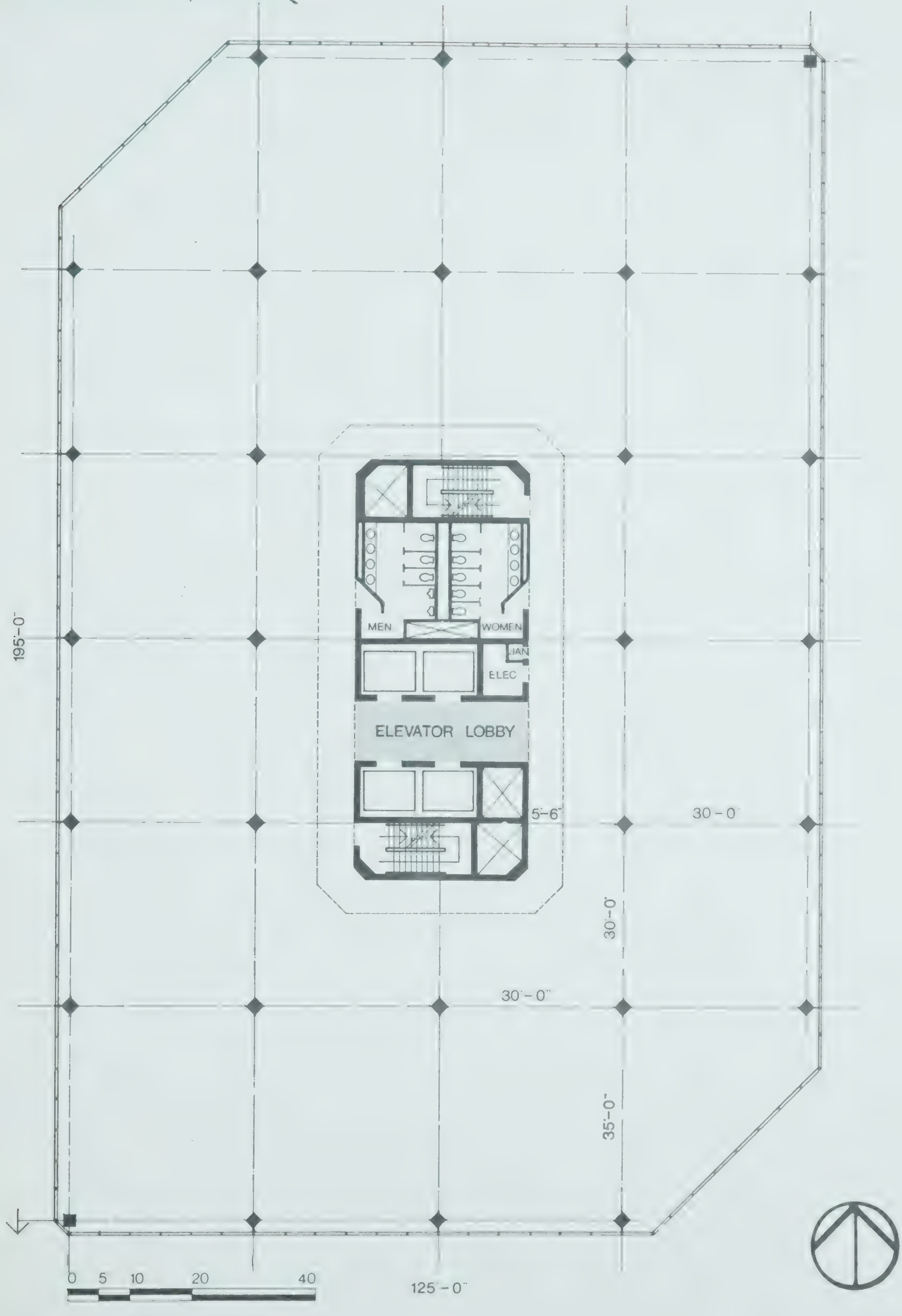
FLOOR 2

NET LEASABLE 21,700 SQ. FT.



TYPICAL FLOOR

NET LEASABLE 22,400 SQ. FT.



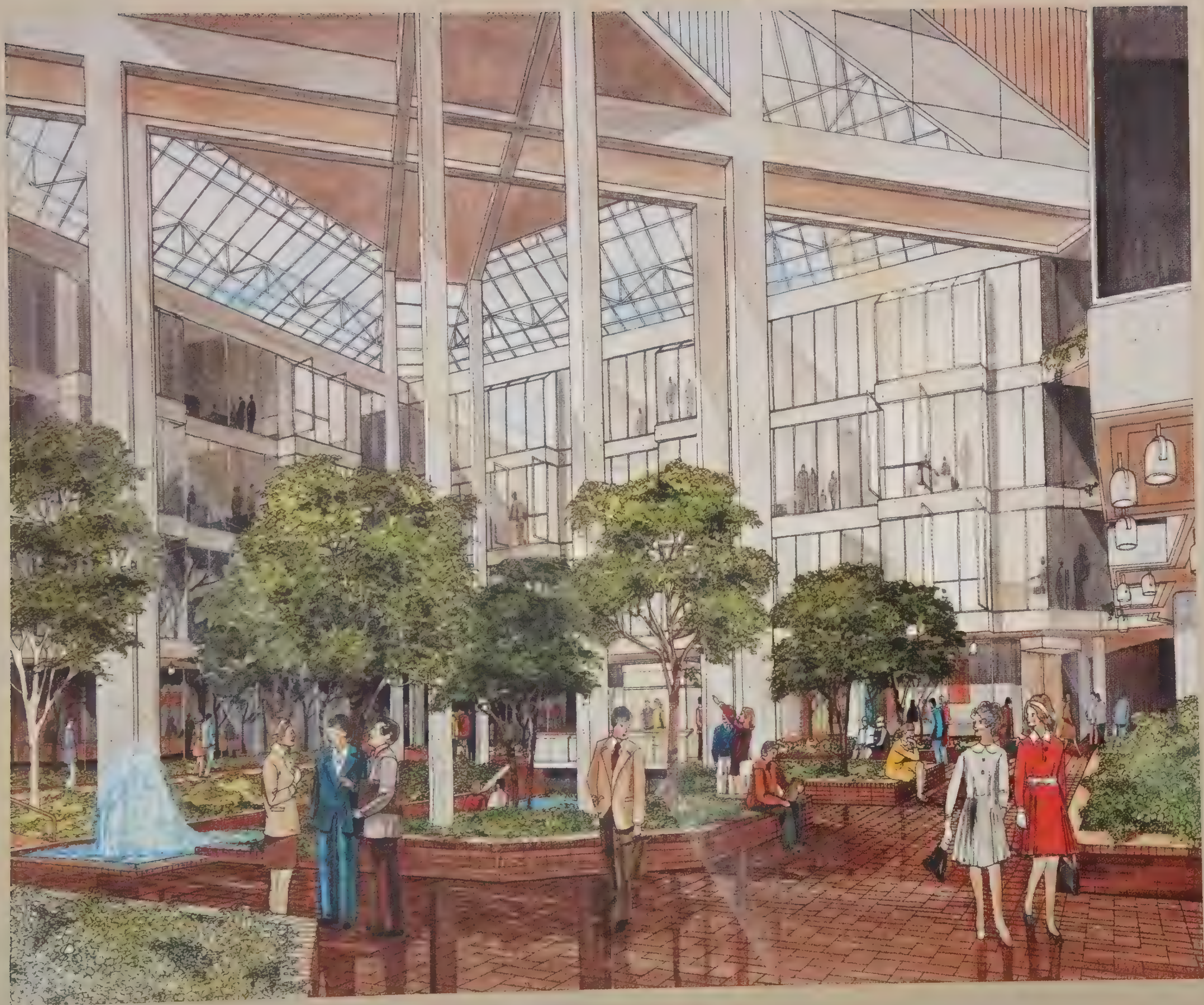
Fairview
Mall
Sheppard Ave.
401
The Prince
Hotel
York Mills Rd.
FIFTEEN
HUNDRED
Don Mills Road
Donalda
Golf Club
Leslie St.
Don Mills Rd.
Don Valley Parkway
Victoria Park Ave.
Lawrence Ave.
Edwards Gardens
Inn on the
Park Hotel
Eglinton Ave.
Holiday Inn
(Don Valley)
Ontario
Science
Centre

AR38

North

Marathon Realty Co. Ltd

ATRIA North



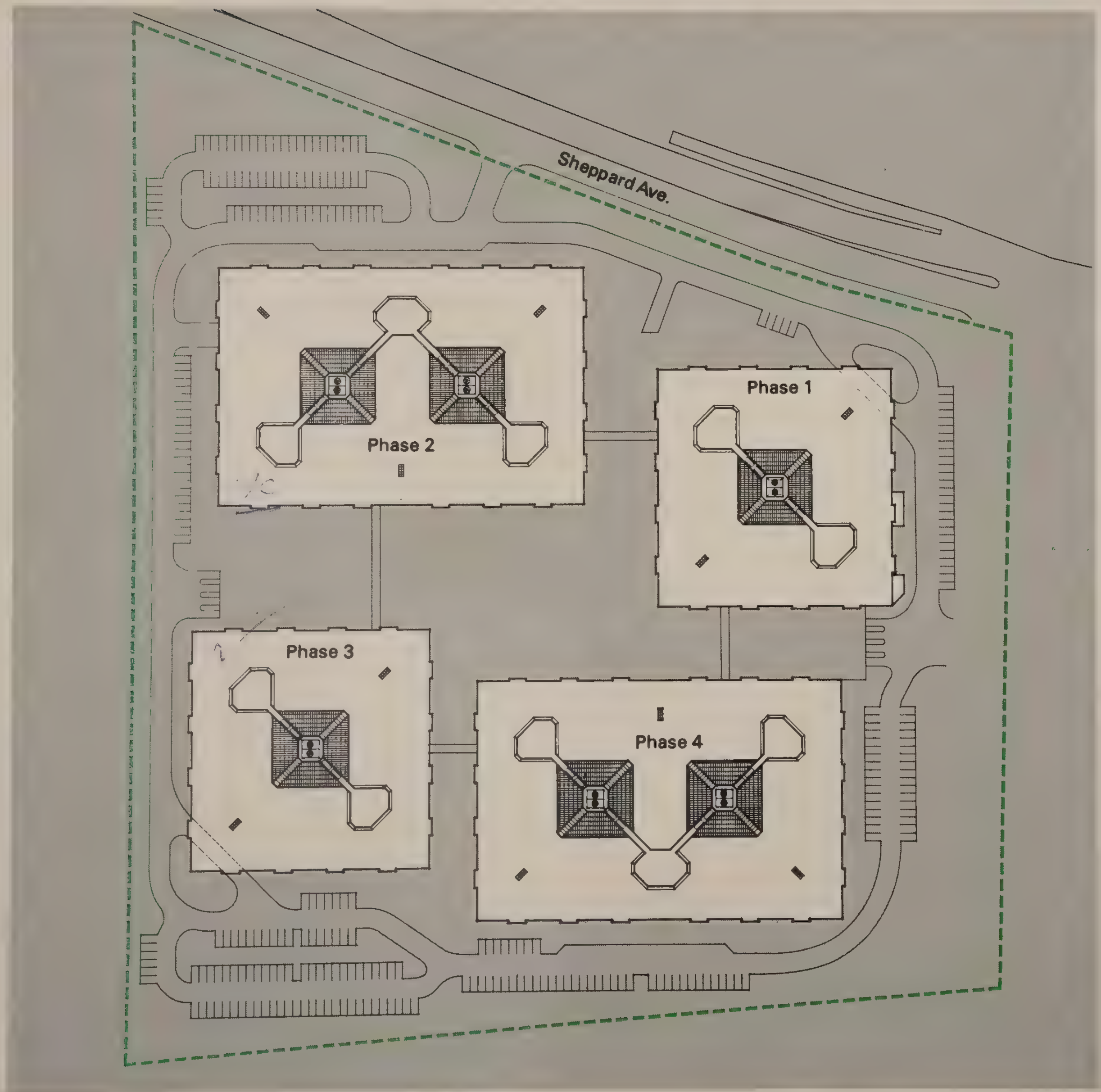
ATRIUM (a'-tri-um) 1) the central court or main room of an ancient Roman house; 2) a hall or entrance court: *plural* **ATRIA**

Although the Roman atrium has been known for more than 25 centuries, it is today the basis for a new concept in modern office building design.

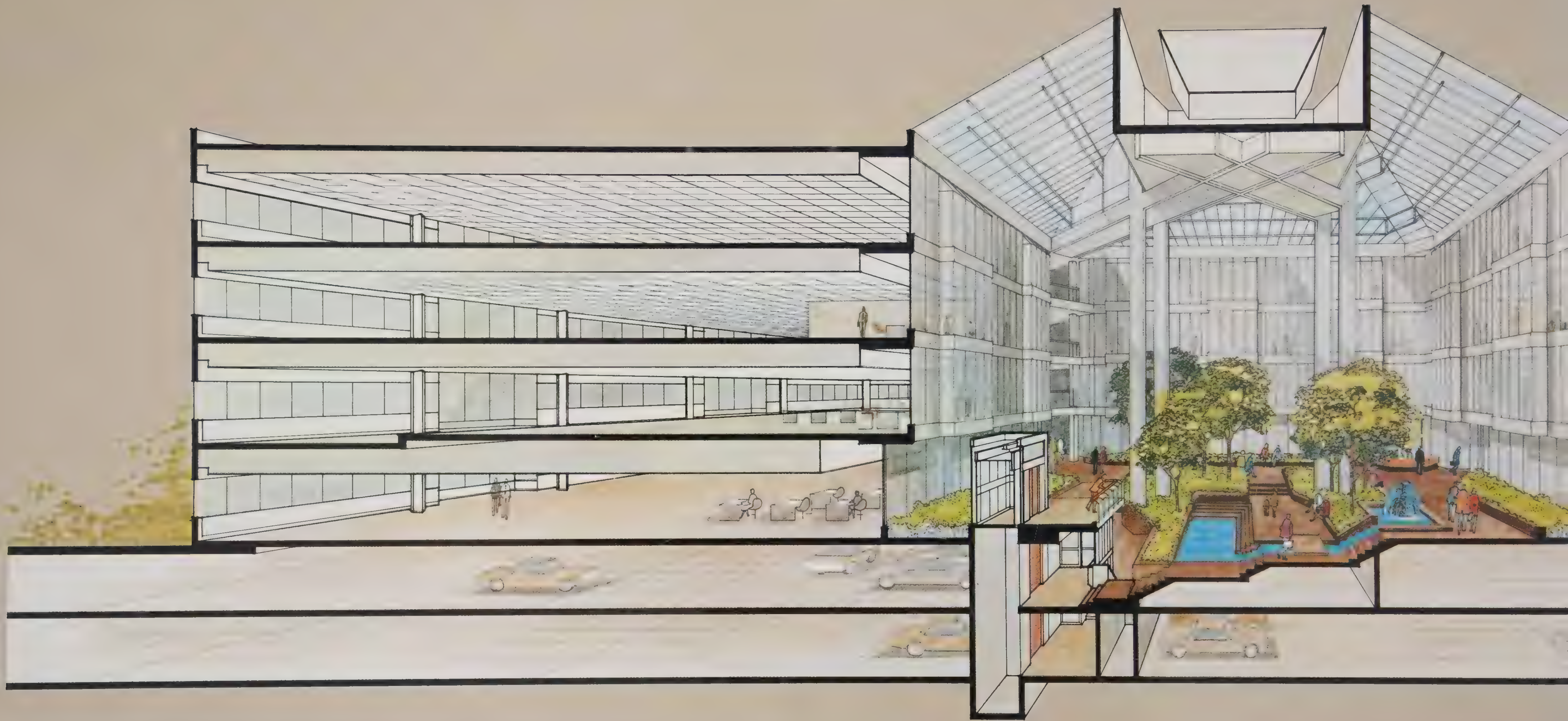
Atria North, a 1,400,000 square foot office complex, comprising four interconnecting four storey buildings, each with its central glass-enclosed interior courtyard or atrium, offers the discriminating tenant a year-round summer working atmosphere. Atria North is a bright and refreshing alternative to the high rise tower, isolated in a field of parked cars. It is a self-contained office community set in a natural and productive environment.

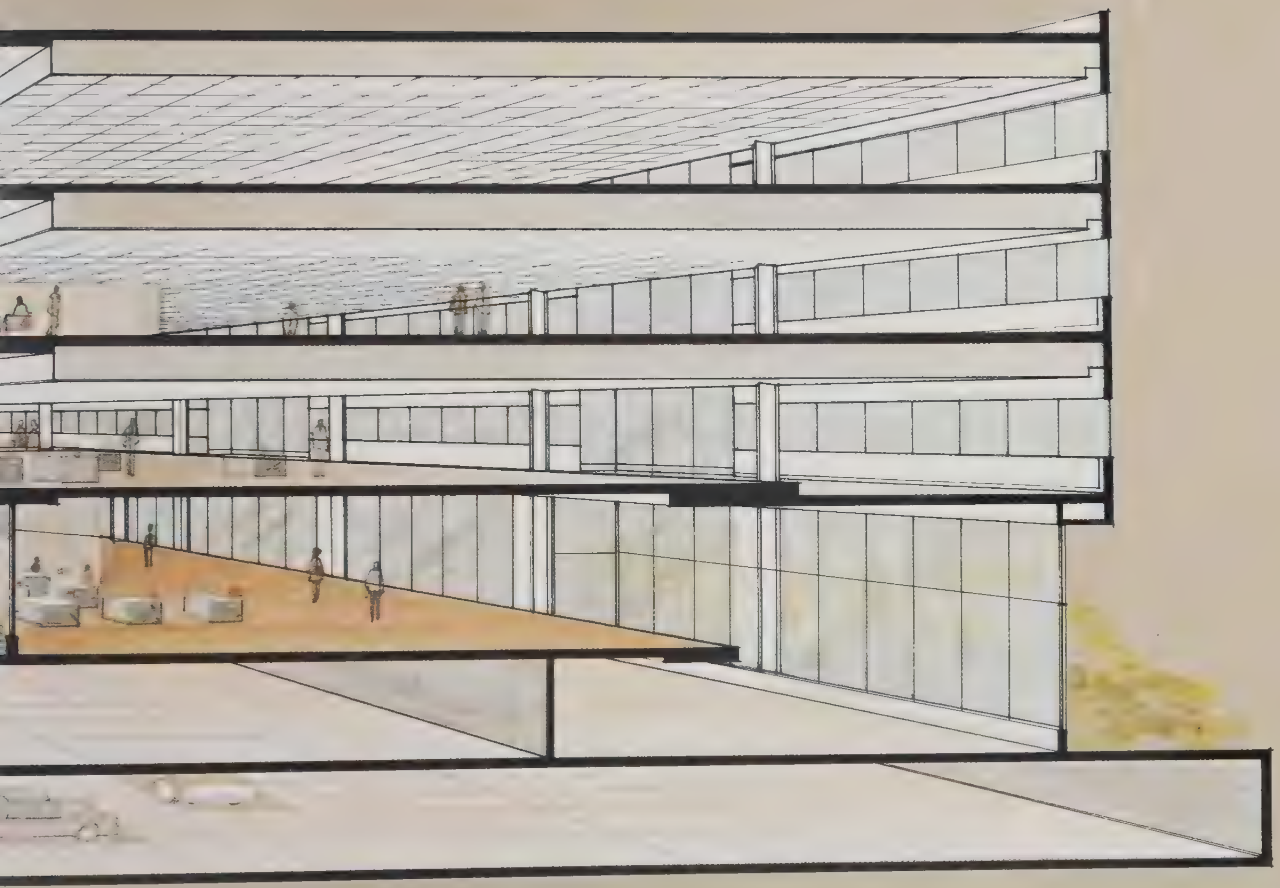
Atria North stands on a 22 acre site in the prestige office area of the Borough of North York. Nine acres of landscaped park surround the complex.

Each building, clad in rich bronzed curtain wall and double glazed tinted windows, rises four floors from grade. Underground parking on two levels for 2,650 automobiles is easily accessible from the street level by way of proposed underground entrance and exit tunnels. Elevators connect parking levels to the central Atrium.



Located on the south side of Sheppard Avenue, just two blocks east of the Don Valley Parkway, the complex is within easy reach of Fairview Mall where a wide variety of stores and services are available. Downtown Toronto, via the Don Valley Parkway and the Toronto International Airport, via the 401 are only 20 minutes away by car. Public transportation which connects to the subway system, literally stops at the entrance to Atria North. An established and rapidly expanding residential area in close proximity to the project, provides an excellent labour market, particularly for executive and clerical personnel.

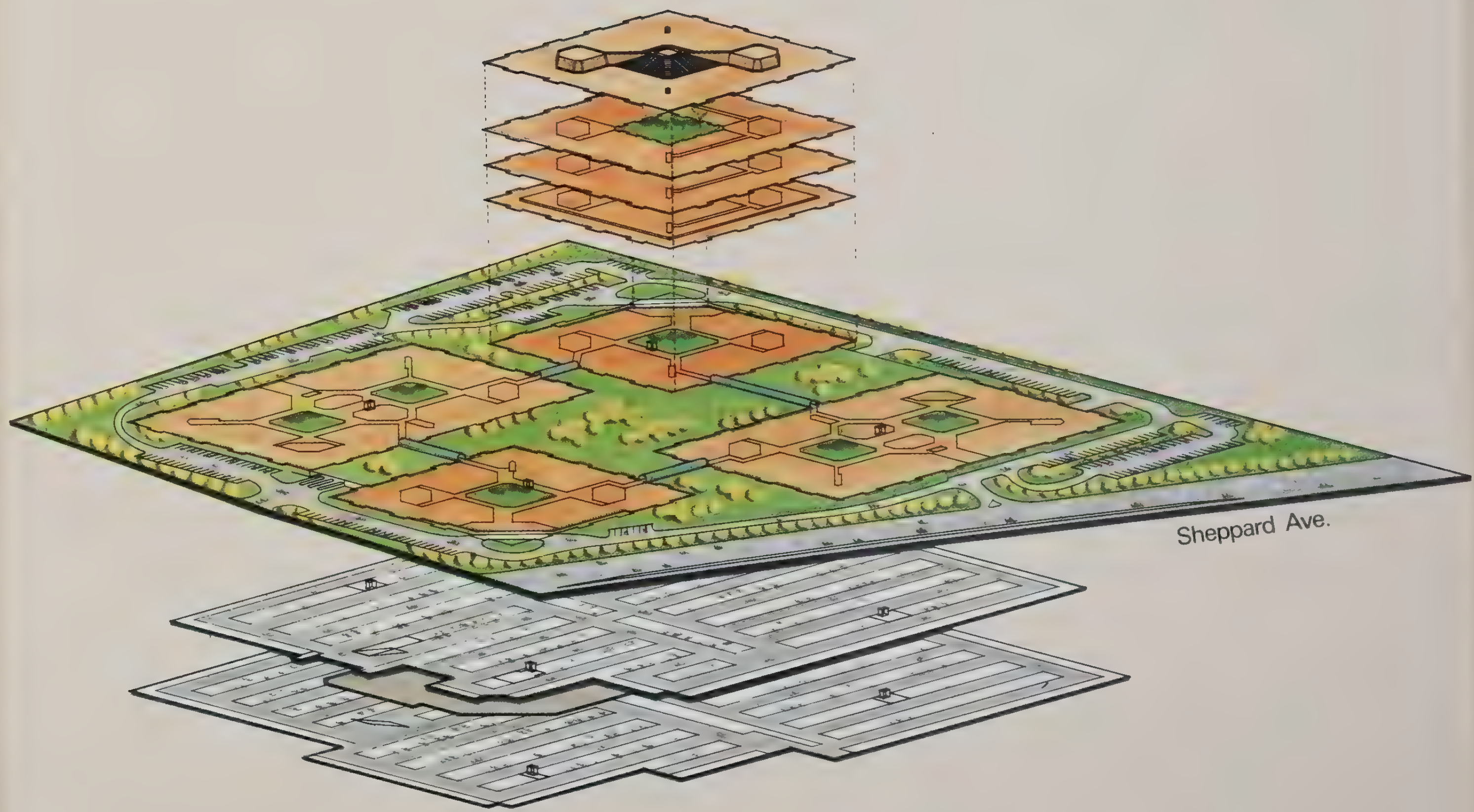




In each of the four buildings, four to seven elevators serve the three upper levels of superb air-conditioned office space. The exceptionally large floor area on each level encircles the featured atrium, providing large and small tenants with broad flexibility for space planning and landscaping.

Offices surrounding the 8,000 square foot atria overlook the tropical landscape and activity within. The windows of these offices open into the atrium. Perimeter offices overlook the surrounding parkland of indigenous plants and trees. Floor-to-ceiling bay windows in both interior and perimeter offices are natural areas for executive office planning. Heat absorbing, double glazing and personalized task lighting are just two of the many energy conservation features of the buildings.

The entire complex provides a self-contained environment. Glass-enclosed walkways interconnect each of the four buildings. Staircases and elevators from underground parking levels lead the visitor to the landscaped atria levels which feature fountains, waterfalls and a wide variety of tropical plants and trees. Adjacent to the atria on the main floors, are convenience and service stores. Banks and specialty restaurants throughout the complex will be on this level. Courtyard cafes in the atrium provide a year-round summer atmosphere for employees and visitors alike.



From an inner office bay window, overlooking the natural and perennial green environment of an atrium, picture yourself taking a brief respite from the task at hand. Picture yourself freed from the extremes of weather, the congestion of traffic and smog – picture yourself here in Atria North . . .

Marathon Realty, one of Canada's foremost real estate development and management companies, with assets exceeding $400,000,000, emphasizes investments in shopping centres, urban offices and commercial complexes, air cargo handling facilities, industrial parks and buildings.

MARATHON
REALTY COMPANY LIMITED

Marathon Realty, one of Canada's foremost real estate development and management companies, with assets exceeding $400,000,000, emphasizes investments in shopping centres, [illegible] and commercial complexes, air cargo [illegible] facilities, industrial parks and buildings.

AR38

Preliminary Prospectus dated September 6, 1978 № 085

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

This is a preliminary prospectus relating to these securities, a copy of which has been filed with the Alberta, Saskatchewan, Manitoba and Ontario Securities Commissions and with the Superintendent of Brokers of British Columbia but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted in any such province prior to the time a receipt is obtained for the final prospectus from the Securities Commission of such province or from such Superintendent.

New Issue

55,000,000

$ ●

MARATHON REALTY COMPANY LIMITED

10 ● % First Mortgage Sinking Fund Bonds, Series A

To be dated ●, 1978 To mature November 1, 1998

The Series A Bonds will be redeemable prior to maturity at the option of the Company, but will not be redeemable prior to ● for other than sinking fund purposes from the proceeds of funds borrowed at a lower effective interest cost. Further particulars of redemption and particulars of the mandatory and optional sinking funds are set out on page 15.

In the opinion of counsel, the Series A Bonds will be eligible for investment under the Canadian and British Insurance Companies Act and certain other statutes as stated under "Eligibility for Investment" on page 23.

Price: ● 100

	Price to Public	Underwriting Discount	Proceeds to Company(1)
Per Unit..................	100%	1.65	98.35
Total......................	55,000,000	907,500	54,092,500

(1) Before deducting expenses of issue estimated at ●.

We, as principals, conditionally offer these Series A Bonds, subject to prior sale, if, as and when issued by the Company and accepted by us in accordance with the conditions contained in the underwriting agreement referred to under "Plan of Distribution" on page 4 and subject to the approval of all legal matters on behalf of the Company by D. S. Maxwell, Q.C., Vice-President Law and General Counsel of Canadian Pacific Limited and on our behalf by Messrs. Campbell, Godfrey & Lewtas of Toronto. Such counsel will rely on the opinion of Messrs. Davis & Company of Vancouver, as to matters of British Columbia law, and on the opinion of Messrs. Jones, Black & Company of Calgary, as to matters of Alberta law.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that Series A Bonds in definitive form will be available for delivery on or about ●.

Table of Contents

Table of Contents

MARATHON REALTY COMPANY LIMITED

SUMMARY OF INFORMATION

• % First Mortgage Sinking Fund Bonds, Series A

To be dated • , 1978	To mature November 1, 1998
Amount:	$ •
Price:	•
Interest:	• % per annum, payable on May 1 and November 1, the first interest payment of $ • per $1,000 Bond to be made May 1, 1979.
Redemption:	Redeemable on 30 days' notice at the principal amount thereof plus a premium equivalent to • % in the first year, such premium declining annually thereafter until • , on and after which the Series A Bonds will be redeemable at par. The Series A Bonds will not be redeemable prior to • for purposes of refinancing at an effective interest cost of less than • % per annum.
Sinking Fund:	Commencing • the Company will make annual mandatory sinking fund payments sufficient to retire in each of the years • to • , inclusive, $ • principal amount of Series A Bonds.
Optional Sinking Fund:	In addition to the mandatory sinking fund described above, the Company will have the non-cumulative right to make annual payments to retire in each of the years • to • , inclusive, $ • principal amount of Series A Bonds.
Security:	The Series A Bonds will be secured by a first mortgage on the properties described under "Mortgaged Properties" on page 18 and having an aggregate Appraised Value of $ • .
Interest Coverage:	Income for the 12 months ended June 30, 1978 available for the payment of interest on all debt of the Company was • times the annual interest (to be expensed and capitalized) on all debt to be outstanding after this issue. Income for the 12 months ended June 30, 1978 available for the payment of interest on all debt of the Company was • times the annual interest to be expensed on all debt to be outstanding after this issue.
Asset Coverage:	Adjusted consolidated net tangible assets of the Company on a pro forma basis at June 30, 1978 were equivalent to $ • for each $1,000 principal amount of term debt to be outstanding. Before deduction of deferred income taxes, the adjusted consolidated net tangible assets were equivalent to $ • for each $1,000 of such term debt.

The above summary does not purport to be complete and reference is made to the detailed information appearing elsewhere in the prospectus.

The Company

Marathon Realty Company Limited (the "Company" or "Marathon"), a wholly-owned subsidiary of Canadian Pacific Investments Limited ("CPI"), was incorporated under the Laws of Canada by Letters Patent dated November 21, 1963, to carry on the business of a real estate investment company. CPI is a subsidiary of Canadian Pacific Limited ("CPL"). By Supplementary Letters Patent dated June 8, 1968, the authorized capital of Marathon was increased to its present amount and, by Supplementary Letters Patent dated December 12, 1973, the Company changed its name to Marathon Realty Company Limited – La Société Immobilière Marathon, Limitée. The head and principal office of Marathon is at Suite 1650, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario. Marathon also has division offices in Montreal, Toronto, Calgary and Vancouver.

Application of Proceeds

The net proceeds to the Company from the sale of the Series A Bonds after deducting estimated expenses of $ • will amount to approximately $ • and will be applied as to $ • to reduce bank indebtedness, as to $7,400,000 to repay debt maturing in December 1978 (incurred in December 1976 for general corporate purposes), and as to $25,000,000 to repay debt maturing in January 1979, with the balance to be added to the general corporate funds of the Company.

Plan of Distribution

Under an agreement dated • between the Company and Dominion Securities Limited, A. E. Ames & Co. Limited and Wood Gundy Limited (the "Underwriters") the Company has agreed to sell and the Underwriters have agreed to purchase on • the $ • principal amount of Series A Bonds at a price of $ • per $100 principal amount thereof, payable in cash against delivery. The obligations of the Underwriters under such agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated on the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Series A Bonds if any of the Series A Bonds are purchased under such agreement.

In connection with this offering the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series A Bonds at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Consolidated Capitalization

	Authorized or to be authorized	Outstanding December 31, 1977	Outstanding August 31, 1978	Outstanding after giving effect to this financing
		(thousands)		
Term Debt of Marathon Realty Company Limited				
Secured				
Mortgages(1)	$ —	$122,950	$ •	$ •
First Mortgage Bonds				
6.5% due October 1, 1989	11,500	8,731	8,626	8,626
9.5% due November 1, 1998	14,269	—	•	•
First Mortgage Sinking Fund Bonds				
• % Series A due November 1, 1998 (this issue)	•	—	—	•
Unsecured				
Sinking Fund Bonds(2)				
9.5% due April 1, 1990	25,000	23,500	22,750	22,750
9.65% due October 1, 1990	40,000	37,600	37,600	37,600
8.3% due April 16, 1993	5,500	5,500	5,500	5,500
Debentures(2)				
10.4% due December 15, 1981(3)	10,000	10,000	10,000	10,000
10.5% due December 1, 1984(4)	25,000	25,000	25,000	25,000
Promissory Notes(2)				
7.0% due January 31, 1979	25,000	25,000	25,000	—
9.95% due April 15, 1983(5)	10,000	10,000	10,000	10,000
Income Debentures(6)				
due December 31, 1978	7,400	7,400	7,400	—
due June 1, 1983	20,000	—	20,000	20,000
Other Notes and Loans	—	1,600	•	•
Bank Term Loans(6)	—	21,700	•	•
Term Debt of United States Subsidiaries(7)	—	247	•	•
Term Debt of Canadian Subsidiaries	—	6,443	•	•
		$305,671	$ •	$ •
Minority Interest				
Common Shares and Retained Income	—	$ 844	$ •	$ •
Shareholders' Equity				
Authorized 4,500,000 shares without par value				
Issued 3,620,026 shares		$ 36,200	$ 36,200	$ 36,200
Retained Income		22,918	•	•
		$ 59,118	$ •	$ •

Notes: (1) Mortgages have a weighted average annual interest rate of 10.2% as at December 31, 1977 and as at August 31, 1978.

(2) Payable to an affiliated company, Canadian Pacific Securities Limited.

(3) May be called by holder under specific circumstances.

(4) May be called by holder to mature December 1, 1979.

(5) May be called by holder any time after April 15, 1981.

(6) Interest rate related to chartered bank prime rate in Canada.

(7) Principal outstanding as at December 31, 1977 and August 31, 1978 amounted to U.S. $221,000 and U.S. $ • , respectively. For basis of translation see note 1(f) of the "Notes to Consolidated Financial Statements" on page 30.

(8) For the particulars of lease commitments see note 9(c) of the "Notes to Consolidated Financial Statements" on page 32.

Business of the Company

History

In 1963, as part of CPL's diversification programme, Marathon was formed to acquire and develop those lands of CPL not required for railway purposes. During the years 1964 to 1967, Marathon acquired from CPL under this programme, either directly or through the purchase of shares in subsidiaries, agricultural lands in western Canada, other lands across Canada considered suitable for development, office and other buildings, livestock markets in Alberta and Quebec, grain elevators in Ontario and New Brunswick and a cold storage facility in New Brunswick.

Under an agreement dated August 14, 1967, Marathon acquired from CPL in 1968, for prices equal to the cost to CPL of the surface areas, the air rights over railway lands comprising about 150 acres in Vancouver, Calgary, Edmonton and other centres in western Canada.

In addition, in August 1967 Marathon entered into various other agreements with CPL to acquire or lease certain properties and air rights if and when they were declared surplus to railway requirements by CPL prior to January 1, 1975. Prior to the expiry date of the agreements, CPL declared 48 parcels of land consisting of approximately 216 acres surplus to railway requirements and these were purchased or leased by the Company.

Subsequent to 1967, Marathon has followed a policy of acquiring properties from others to expand its holdings of income producing properties or to obtain additional lands suitable for near term development.

On the incorporation of Marathon Aviation Terminals Limited ("MAT") in 1968, the Company acquired a 50% interest, which was increased to 63⅓% in 1975 and to 76% in 1978; MAT designs, constructs and leases airport facilities in Canada.

In 1977, the Company expanded its interests in the United States through a wholly-owned subsidiary, Marathon U.S. Holdings, Inc. ("Holdings"), a Delaware incorporated company. Holdings, an investment holding company, has incorporated three wholly-owned operating subsidiaries to carry out development, acquisition and management programmes. Marathon's U.S. activities are headquartered in Chicago, Illinois, with branch offices in San Francisco, California, Portland, Oregon and Atlanta, Georgia.

The table below, based on the consolidated financial statements, shows the growth of the Company for the ten year and six month period ended June 30, 1978:

	Total Assets	Revenue	Net Income	Cash Flow from Operations
		(thousands)		
Year ended December 31,				
1968	$ 75,958	$ 9,500	$ 1,302	$ 2,521
1969	114,678	13,236	2,071	4,182
1970	151,596	18,681	1,595	3,785
1971	181,869	23,266	1,456	4,087
1972	180,115	32,710	3,365	7,774
1973	196,113	35,384	4,712	10,293
1974	243,488	50,694	5,582	12,481
1975	283,110	59,423	7,662	15,606
1976	381,651	81,612	10,423	20,706
1977	440,998	95,784	11,569	23,086
Six months ended June 30, 1978 (unaudited)	498,666	62,372	7,493	10,404

Operations

Marathon, directly or through subsidiaries and investments in other companies, is a diversified real estate company engaged in a wide range of real estate activities across Canada and in the United States. Operations include: acquisition of land to be developed, subdivided or improved; and acquisition, development and opera-

tion of income properties including shopping centres and office, industrial, commercial and residential buildings. In addition Marathon, directly or through subsidiaries, is engaged in the operation of livestock markets, grain elevators and a cold storage facility.

Income Properties

As at June 30, 1978 the Company owned or had interests in income properties as follows:

		Book Value (1) (thousands)
Building Rental Properties		
Shopping Centres and Retail Malls	$147,409	
Office Buildings and Related Facilities	114,556	
Industrial Buildings	68,012	
Residential Buildings	7,914	
Other Commercial Buildings	8,460	$346,351
Land Rental Properties		
Agricultural Land	2,181	
Non-agricultural Land	21,747	23,928
Other Operations		3,760
Total Consolidated Income Properties		$374,039

Note: (1) Before depreciation and minority interest.

The growth of the Company's revenue from rental properties is shown in the following table:

	Year ended December 31					Six months ended June 30 (unaudited)	
	1973	1974	1975	1976	1977	1977	1978
				(thousands)			
Building Rentals							
Shopping Centres and Retail Malls	$ 4,718	$ 6,157	$ 9,343	$17,714	$24,508	$11,413	$13,644
Office Buildings and Related Facilities	7,517	9,555	11,384	16,053	19,399	9,463	10,100
Industrial Buildings	2,549	3,587	4,818	11,760	11,852	5,769	7,059
Residential Buildings(1)	2,574	3,107	3,373	3,707	4,048	1,997	2,146
Other Commercial Buildings	445	603	859	1,794	1,652	793	556
	17,803	23,009	29,777	51,028	61,459	29,435	33,505
Land Rentals							
Agricultural	2,473	2,492	2,706	2,977	2,981	1,393	1,377
Non-agricultural	3,781	4,703	5,421	6,113	7,213	3,364	3,681
	6,254	7,195	8,127	9,090	10,194	4,757	5,058
Total Rentals	$24,057	$30,204	$37,904	$60,118	$71,653	$34,192	$38,563

Note: (1) In June 1978 the Company sold its rental residential interests in Vancouver which consisted of 606 units in Langara Gardens and Shawnoaks Apartments and has recognized approximately $3.5 million of the gain on sale to June 30, 1978.

Shopping Centres and Retail Malls

The Company as at June 30, 1978 owned or had interests in 27 regional, community and neighbourhood centres having a total leaseable area of 4,704,000 square feet, which included the Argyle Mall, London and the Dufferin Mall, Toronto acquired in June, 1978. Subsequent to June 30, 1978 the Company acquired the Northland Village Shopping Centre in Calgary containing 274,000 square feet of leaseable area.

The summary below sets out details of the Company's shopping centres having a leaseable area of 70,000 square feet or more. Smaller centres have been grouped.

	Opened or acquired		Approximate land area	Leaseable area Retail	Office	Total	Number of retail tenants
			(acres)		(square feet)		
British Columbia							
Orchard Park, Kelowna	1971	(1)	30.3	286,000	—	286,000	51
Village Green Mall, Vernon	1975	(2)	24.2	258,000	—	258,000	49
Thompson Park, Kamloops	1970		14.0	193,000	—	193,000	49
Harbour Park, Nanaimo	1967	(3)	12.0	192,000	—	192,000	57
Arbutus Village Mall, Vancouver	1974		7.0	69,000	22,000	91,000	30
Three others				93,000	—	93,000	24
Alberta and Saskatchewan							
Northland Village, Calgary	1978	(4)	24.6	274,000	—	274,000	36
Centre Village Mall, Lethbridge	1970		17.4	189,000	—	189,000	34
Eight others				254,000	—	254,000	65
Ontario							
Dufferin Mall, Toronto	1978		21.0	538,000	24,000	562,000	110
Agincourt Mall, Toronto	1977	(5)	23.8	284,000	11,000	295,000	57
Argyle Mall, London	1978	(6)	25.6	269,000	13,000	282,000	33
Merivale Mall, Ottawa	1977	(5)	16.5	247,000	—	247,000	46
Peterborough Square, Peterborough	1975	(7)	6.5	221,000	28,000	249,000	58
Westmount Place, Waterloo	1974	(5)	16.1	194,000	19,000	213,000	44
The Mall, Cambridge	1971		4.1	45,000	25,000	70,000	18
One other	1968	(8)	2.7	31,000	—	31,000	5
Quebec							
Place Laurier, Ste. Foy	1976		36.3	1,011,000	138,000	1,149,000	294
One other	1968		4.4	50,000	—	50 000	2
Total Leaseable Area				4,698,000	280,000	4,978,000	

Notes: (1) Expansion completed in 1972; land used for part of the parking area is held under a long-term lease expiring in the year 2031.

(2) Company has a 75% undivided interest in the areas shown.

(3) Expansion completed in 1977; areas shown include land and building owned by a department store (approximately 2 acres and 40,000 sq. ft. respectively).

(4) Acquired August 1, 1978.

(5) The lands under these centres are held under long-term leases which expire in the years 2005, 2006 and 2068 for Agincourt Mall, Merivale Mall, and Westmount Place, respectively.

(6) Company owns the land and operates the centre with an option to buy the buildings.

(7) Part of the lands utilized for the development are held under a long-term lease expiring in the year 2074.

(8) Through a subsidiary company, the Company has a 55% interest in the areas shown.

In addition to the above, through Project 200 Properties Limited, the Company has a 25% investment in Gaslight Square, a retail mall in Vancouver, B.C.

Office Buildings and Related Facilities

The Company as at June 30, 1978 owned or had interests in 26 office buildings having a total leaseable area of 3,786,000 square feet, as follows:

	Opened or acquired	Leaseable area			
		Office	Retail	Parking	Total
		(square feet)			
British Columbia					
Granville Square, Vancouver (1)	1973	337,000	39,000	134,000	510,000
CP Telecommunications Building, Vancouver (1)	1969	62,000	—	25,000	87,000
Two others		11,000	—	—	11,000
Alberta					
Palliser Square, Calgary	1968/71	485,000	120,000	314,000	919,000
Financial Building, Edmonton	1978	131,000	—	—	131,000
Natural Resources Building, Calgary	1967	98,000	—	—	98,000
Bank of Montreal Building, Edmonton (2)	1978	80,000	—	—	80,000
Robert Armstrong Building, Edmonton	1965	34,000	18,000	—	52,000
Genie Centre, Calgary	1973	25,000	—	—	25,000
One other	1966	9,000	—	—	9,000
Ontario and Manitoba					
40 University Avenue, Toronto	1977	207,000	11,000	9,000	227,000
Corporation Square, Kitchener (2)	1974	123,000	22,000	33,000	178,000
Toronto Office Building, Toronto	1965	68,000	4,000	—	72,000
Dunker Building, Kitchener	1974	63,000	22,000	—	85,000
Childs Building, Winnipeg	1974	63,000	—	—	63,000
Bell Telephone Building, Barrie	1973	56,000	—	51,000	107,000
Nanton Building, Winnipeg	1974	29,000	—	—	29,000
Quebec					
Place du Canada, Montreal	1966	359,000	26,000	115,000	500,000
CP Telecommunications Building, Montreal	1976	334,000	8,000	42,000	384,000
One other	1968	5,000	—	—	5,000
United States					
Glenridge 400 (four buildings), Atlanta (3)	1978	108,000	—	—	108,000
Northside Tower, Atlanta (3)	1978	106,000	—	—	106,000
Total Leaseable Area		2,793,000	270,000	723,000	3,786,000

Notes: (1) Company has a 54% interest in the properties through an associated company which is accounted for on the equity basis.

(2) The lands under these buildings are held under long-term leases expiring in the years 2023 and 2004 for the Bank of Montreal Building, Edmonton, and for Corporation Square, Kitchener, respectively.

(3) Owned by Marathon U.S. Realties, Inc. a wholly-owned subsidiary.

Industrial Buildings

The Company as at June 30, 1978 owned 34 buildings in Marathon-developed industrial parks and 71 buildings at various other locations having an aggregate building area of approximately 4,090,000 square feet, and an interest in 19 aviation facilities having an aggregate building area of approximately 1,765,000 square feet at Montreal's two international airports and at Toronto International Airport, as follows:

	Locations	Number of buildings	Building area
			(square feet)
British Columbia			
Various locations	—	20	159,000
Alberta and Saskatchewan			
Strathcona Industrial Park	Edmonton	12	830,000
Mayland Industrial Park	Calgary	8	405,000
Various locations	—	32	636,000
Ontario and Manitoba			
Centennial Industrial Park	Sudbury	4	141,000
Keele Centre	Toronto	1	324,000
Various locations	—	11	393,000
Quebec and Atlantic			
Summerlea Industrial Park	Lachine	10	868,000
Various locations	—	7	334,000
		105	4,090,000
Aviation Facilities			
Marathon Aviation Terminals	Montreal	10	758,000
	Toronto	6	506,000
Matac Cargo	Mirabel	3	501,000
		19	1,765,000
Total building area			5,855,000

The Company's aviation facilities are owned through its 76% interest in MAT. These facilities are built on land held under long-term ground leases from the Department of Transport and include three hangars, four flight kitchens and various air cargo facilities. MAT has a 50% interest in Matac Cargo Ltd., incorporated in 1973, which leases land and owns air cargo facilities at Mirabel International Airport, Montreal.

Residential Buildings

As at June 30, 1978, the Company owned the following five apartment buildings:

	Opened or acquired	Rental units	Occupancy
			(percentage)
Edmonton, Alberta			
Strathcona House	1969	222	100
Calgary, Alberta			
Mount Royal House	1970	202	100
Senator, Melbray and Leduc Apartments	1974	72	100
		496	

The Company's residential income properties are subject to rent control.

Other Commercial Buildings

The Company as at June 30, 1978 also owned various other commercial properties having a total building area of some 276,000 square feet, the most significant of which was the Calgary Tower, more fully described under "Mortgaged Properties" on page 18.

Land Rental Properties

Marathon's holdings of agricultural lands as at June 30, 1978, consisted of 351,000 acres in Alberta and Saskatchewan, over 99% of which was leased to approximately 1,400 tenant farmers.

The Company owns commercial lands which are held for rental purposes. Rents are earned either from lands leased to others for development under long-term participating leases or from short term leases which contain escalation or regular review clauses.

Other Operations

Marathon, directly or through subsidiaries, owns and operates grain elevators at West Saint John, New Brunswick and Port McNicoll, Ontario; livestock markets in Calgary, Alberta and Montreal, Quebec and a cold storage facility in Saint John, New Brunswick.

In addition, certain restaurant facilities in Palliser Square and in the Calgary Tower are leased to a subsidiary and managed on its behalf by Canadian Pacific Hotels Limited ("CP Hotels"), a wholly-owned subsidiary of CPI.

The Company reflects in revenue from "Other Operations" its equity in the income of the three associated companies described under "Investments" on page 12.

The following table shows the Company's revenue from "Other Operations" for the year ended December 31, 1977:

Operation	Location	Revenue
		(thousands)
Terminal Grain Elevators	Port McNicoll and West Saint John	$1,896
Livestock Markets	Calgary (1) and Montreal	1,743
Cold Storage	Saint John (2)	362
Restaurants	Calgary Tower and Palliser Square	3,310
		7,311
Other Income, including Equity in Income of Associates		355
		$7,666

Notes: (1) The Alberta Stock Yards Company, Limited (a wholly-owned subsidiary).
(2) The New Brunswick Cold Storage Company, Limited (a wholly-owned subsidiary).

Land and Condominium Sales

The following table shows the Company's revenue from property sales for the five years ended December 31, 1977 and for the six month periods ended June 30, 1977 and June 30, 1978:

	Year ended December 31					Six months ended June 30 (unaudited)	
	1973	1974	1975	1976	1977	1977	1978
				(thousands)			
Agricultural land	$1,913	$ 2,010	$ 1,925	$ 2,008	$ 2,457	$1,921	$ 2,447
Non-agricultural land	4,042	4,678	6,100	8,730	11,517	3,807	5,972
Condominiums	552	7,878	6,428	3,546	2,491	2,141	12,091
	$6,507	$14,566	$14,453	$14,284	$16,465	$7,869	$20,510

Agricultural Land

Legislation enacted in Saskatchewan requires all non-residents of the Province who hold agricultural land in excess of one quarter section to divest themselves of their excess holdings no later than January 1, 1994. Marathon's holdings in Saskatchewan as at June 30, 1978 amounted to 73,000 acres. The Company is following a policy of orderly disposition of these holdings by, in the majority of cases, selling the land to the existing tenants.

Non-agricultural Land

The Company has developed and serviced industrial parks in Edmonton and Calgary, Alberta, Sudbury and Toronto, Ontario and Lachine, Quebec and has recently completed the servicing for Phase I of its new Mayfair Industrial Park in Coquitlam, B.C. It is the Company's policy to sell approximately half of the serviced lots within each of its industrial parks.

Sales also include those holdings not suitable for retention in the Company's portfolio of investment properties.

Currently, the Company is seeking municipal approval for a residential subdivision plan covering 96 gross acres of land in South Surrey, near Vancouver, with the intention of selling the resultant lots.

Condominiums

The property sales revenue in 1977 and in the six months to June 30, 1978, was earned from the sale of units in the Shaughnessy Place and Westerlies condominium developments in Vancouver. The Company sold its remaining uncommitted units on June 30, 1978.

Investments

C.C.C.L. Properties Limited ("CCCL")

Marathon owns 33⅓% of the voting stock of CCCL, which owns an income property comprised of a 190 room hotel and 6 retail stores adjoining the Calgary Convention Centre. The hotel is leased to Four Seasons Hotels Limited. The hotel and convention centre are situated opposite Palliser Square and are connected across 9th Avenue by an enclosed elevated walkway.

Project 200 Properties Limited ("200 Properties")

Marathon owns 25% of the issued capital of 200 Properties, a company formed in 1966 to develop, in Vancouver, the eastern part of a 23-acre downtown waterfront site, including air rights, known as Project 200. Part of the site is owned by CPL and covered by agreements to lease with Marathon. Development to date by 200 Properties has been limited to the renovation of certain buildings on owned land on the north side of Water Street and to the development of a retail and specialty stores project known as Gaslight Square. Under the agreement between 200 Properties and Marathon, 200 Properties has the right to lease certain air rights from the Company which, if fully exercised, will be satisfied by the issuance of non-voting shares which could give Marathon 43¾% of the issued capital of 200 Properties (18¾% voting and 25% non-voting).

Project 200 Investments Limited ("200 Investments")

Marathon owns 54% of the issued capital (23% voting and 31% non-voting) of 200 Investments, a company formed in 1968 to develop the western part of the Project 200 site.

The first building developed by 200 Investments, known as the CP Telecommunications Building, was completed in 1969 on land leased from 200 Properties. Subsequently, 200 Investments developed Granville Square, consisting of a 30-storey office tower above plaza level, a commercial mall located on the plaza and two levels of parking, on 2.4 acres of leased land and air rights.

Development

The Company directly or through its subsidiaries has the following income properties under construction or scheduled for construction which, when completed, will add a total of 1,284,000 square feet of office, 402,000 square feet of retail and 245,000 square feet of industrial space to its portfolio:

	Leaseable area (square feet)	Scheduled completion
Under Construction		
Office Buildings		
Deer Lake Phase I, Burnaby	89,000	1978
Atria Phase I, Toronto	256,000	1979
1500 Don Mills Phase I, Toronto	218,000	1980
595 Market Street, San Francisco	415,000	1979
One Main Place, Portland, Oregon	306,000	1981
Industrial Buildings		
2 Buildings, Agincourt Industrial Park, Toronto	41,000	1978
McCowan Road Building "D", Toronto	28,000	1978
Erin Square, Winnipeg	52,000	1978
Scheduled for Construction		
Shopping Centres		
Place d'Orléans Phase I, Ottawa	100,000	1979
King Centre Phase I, Kitchener	302,000	1980
Industrial Buildings		
445 McPhillips, Winnipeg	68,000	1980
An expansion in Strathcona Industrial Park, Edmonton	6,000	1978
Air cargo warehouse, Edmonton	50,000	1979

Future Planned Development

The Company has the following developments in various stages of planning:

Office Buildings

Toronto....................Downtown West, a multi-phase complex: Phase I to contain 270,000 square feet.

Toronto....................Phases II, III and IV of the Atria development to add 1,056,000 square feet.

Toronto....................Phase II of 1500 Don Mills for an additional 220,000 square feet.

Kitchener..................Phase II of the King Centre complex, a 120,000-square-foot tower.

Burnaby....................Phases II, III and IV of the Deer Lake development to contain 290,000 square feet.

Calgary....................A 385,000-square-foot tower.

Shopping Centres

Ottawa....................A 250,000-square-foot centre for completion in 1980.

Ottawa....................Phase II of Place d'Orléans to add 150,000 square feet of retail space.

Financing of the Company's development projects is normally effected through construction loans, short term borrowings, including general bank lines of credit, and term financing. In cases where the initial financing is not long-term, such financing is usually replaced by term loans from institutional lenders upon completion of the projects or when management considers financial market conditions are favourable.

Details of the Offering

The following is a brief summary of the material attributes and characteristics of the • % First Mortgage Sinking Fund Bonds, Series A (the "Series A Bonds") offered by this prospectus. The summary does not purport to be complete and is subject to the detailed provisions of the Trust Indenture described below to which reference is hereby made for a complete statement of such provisions.

General

The $ • aggregate principal amount of Series A Bonds will be issued under and secured by a trust indenture to be dated as of • (the "Trust Indenture") between the Company and Montreal Trust Company, as Trustee (the "Trustee").

The Series A Bonds will be dated • , 1978, will mature November 1, 1998 and will bear interest from • at the rate of • % per annum payable half-yearly on May 1 and November 1 in each year commencing with a payment of $ • per $1,000 on May 1, 1979. Principal, premium, if any, and interest will be payable at any branch in Canada of the chartered bank to be designated in the Series A Bonds.

The Series A Bonds will be issued in coupon form in the denominations of $1,000, $5,000 and $25,000 registrable as to principal only, and in fully registered form in denominations of $1,000 and authorized multiples thereof.

Security

The Series A Bonds will be direct obligations of the Company and will be secured, equally and rateably with any Additional Bonds that may be issued under the Trust Indenture, by a first, fixed and specific mortgage, pledge and charge, subject only to Permitted Encumbrances and to the reservation of the last day of the term of any lease or agreement therefor, on and of all the Company's right, title and interest in and to those properties and assets of the Company which, from time to time, are Mortgaged Assets under the Trust Indenture.

At or before the issue of the Series A Bonds, Palliser Square Complex, Natural Resources Building, Orchard Park and Centre Village Mall, all of which are more fully described under "Definitions" on page 16 and under "Mortgaged Properties" on page 18, will become Mortgaged Assets.

The Trust Indenture will contain appropriate provisions for constituting Additional Property as Mortgaged Assets and for the substitution of Additional Property for all or any part of the Mortgaged Assets provided that, following any such substitution, the aggregate Appraised Value of the Mortgaged Assets is not less than 125% of the aggregate principal amount of all Bonds then outstanding.

The Trust Indenture will also provide for (i) the release of any part of the Mortgaged Assets on certain terms and conditions provided that the aggregate Appraised Value of the remaining Mortgaged Assets is not less than 125% of the aggregate principal amount of all Bonds then outstanding, and (ii) the release of all or any part of the Mortgaged Assets for the purposes of a sale or other disposition provided that the Company will deposit with the Trustee cash in an amount equal to the greatest of (a) if the sale or other disposition is for cash, the cash proceeds, (b) if the sale or other disposition is in whole or in part otherwise than for cash, the cash proceeds plus the Appraised Value of the non-cash consideration, (c) the Appraised Value of the Mortgaged Assets to be released, and (d) such amount as, when added to the Appraised Value of the remaining Mortgaged Assets, will aggregate not less than 125% of the aggregate principal amount of all Bonds then outstanding.

The Trust Indenture will also provide for the release to the Company on request, subject to certain terms and conditions, of any cash held by the Trustee, provided that, after such release, the Appraised Value of the Mortgaged Assets is not less than 125% of the aggregate principal amount of all Bonds then outstanding and that any cash held by the Trustee one year after the receipt thereof is to be applied by the Trustee to the redemption of Bonds at the price at which such Bonds are redeemable for other than sinking fund purposes plus accrued and unpaid interest to the redemption date.

Additional Bonds

The Trust Indenture will contain provisions permitting the issuance from time to time thereunder of additional series of Bonds (the "Additional Bonds"), ranking equally and rateably with the Series A Bonds, save only as to sinking fund provisions applicable to different series, provided that prior to the issue of any series of Additional Bonds, the Company shall establish compliance with the issuance test referred to in clause (i) under the heading "Covenants" below.

Covenants

The Company will covenant in the Trust Indenture that:

(i) prior to the issue of the Series A Bonds or any series of Additional Bonds, the Company will establish to the satisfaction of the Trustee that, immediately after the issue of the Series A Bonds or such series of Additional Bonds, the aggregate Appraised Value of the Mortgaged Assets will be equal to at least 125% of the aggregate principal amount of all Bonds which will then be outstanding; and

(ii) so long as any of the Series A Bonds or any Additional Bonds are outstanding, the Company will not:

(a) create any floating charge on any of its undertaking, property and assets to secure any other indebtedness of the Company unless at the same time the Company shall secure equally and rateably with such other indebtedness all Bonds then outstanding and maintain such security so long as such other indebtedness remains so secured;

(b) create, assume or permit to exist any mortgage, lien or other encumbrance of any nature or kind on the Mortgaged Assets, except Permitted Encumbrances; or

(c) assign or otherwise transfer, or create, assume or permit to exist any charge or other encumbrance on, all or any Leases of Mortgaged Assets and, when required by the Trustee following an event of default, will assign the Leases of the Mortgaged Assets to the Trustee.

Sinking Funds

The Company will covenant in the Trust Indenture to make payments to the Trustee, as and by way of a mandatory sinking fund, sufficient to retire on • in each of the years • to • , inclusive, $ • principal amount of the Series A Bonds, all in accordance with provisions to be set out in the Trust Indenture.

In addition to the mandatory sinking fund payments, the Company will have the right to make payments to the Trustee, as and by way of a non-cumulative optional sinking fund, sufficient to retire on • in each of the years • to • , inclusive, a maximum of $ • principal amount of Series A Bonds.

Sinking fund moneys paid to the Trustee are to be applied by the Trustee to the redemption of Series A Bonds by call at the principal amount thereof, plus accrued and unpaid interest to the redemption date. The Company will be entitled to purchase Series A Bonds in the market or by tender or by private contract at prices not exceeding the price at which such Series A Bonds are, at the date of purchase, redeemable for other than sinking fund purposes, plus accrued interest and costs of purchase. The Series A Bonds purchased or redeemed by the Company shall be available to the Company as a sinking fund credit equal to the principal amount thereof which may be applied to the satisfaction of sinking fund obligations.

Redemption

The Series A Bonds will be redeemable prior to maturity at the option of the Company, but will not be redeemable prior to • for other than sinking fund purposes unless the Company shall have filed with the Trustee a certified copy of a resolution of its directors declaring that the Series A Bonds are not being redeemed from or in anticipation of any proceeds of indebtedness for borrowed money directly or indirectly incurred by the Company or any affiliate and having an effective interest cost (determined in accordance with generally accepted financial practice) to the Company or any affiliate of less than • % per annum. Subject to the foregoing, the Series A Bonds will be redeemable prior to maturity, for other than sinking fund purposes, in whole at any time or in part from time to time at the option of the Company on not less than 30 days' notice at prices equal to the following percentages of the principal amount thereof, together in each case with accrued and unpaid interest to the redemption date:

If redeemed in the 12 months ending October 31	Percentage	If redeemed in the 12 months ending October 31	Percentage	If redeemed in the 12 months ending October 31	Percentage
1979..........		1986..........		1993..........	
1980..........		1987..........		1994..........	
1981..........		1988..........		1995..........	
1982..........		1989..........		1996..........	
1983..........		1990..........		1997..........	
1984..........		1991..........		1998..........	
1985..........		1992..........			

Modification

The rights of the holders of Bonds issued and secured under the Trust Indenture may be modified. For that purpose among others, the Trust Indenture will contain provisions for the holding of meetings of Bondholders and for making binding upon all Bondholders resolutions passed at such meetings by the affirmative votes of the holders of 66⅔% of the principal amount of Bonds represented and voting at such meeting or by instruments in writing signed by the holders of 66⅔% of the principal amount of all outstanding Bonds. The Trust Indenture will also contain provisions for the holding of serial meetings and for the execution of instruments in writing signed by the holders of any series of Bonds particularly affected by any such resolution.

Definitions

The following terms which are used herein will be defined in the Trust Indenture substantially to the following effect:

"*Mortgaged Assets*" shall mean and include, at any time, such of the Mortgaged Properties as shall not have theretofore been released from the charge of the Trust Indenture, any Additional Property which, prior to that time, has become subject to the charge of the Trust Indenture and has not been released and any cash or other assets at that time held by the Trustee as security for the Bonds.

"*Mortgaged Properties*" shall mean and include Palliser Square Complex, Natural Resources Building, Orchard Park and Centre Village Mall.

"*Palliser Square Complex*" shall mean and include the lands and premises owned by the Company with an estate in fee simple as more particularly described in Certificate of Title No.'s 1750241, 751008184 to 751008190, inclusive, and 781130799 contained in the Land Titles Office for the South Alberta Land Registration District at Calgary, Alberta, and the lands and premises owned by the Company with an estate of leasehold and more particularly described in Certificate of Title No.'s 771112445 and 771112446 contained in the same Office, and all buildings and other structures and all improvements and fixed equipment located at any time on, above or under such lands and premises.

"*Natural Resources Building*" shall mean and include the lands and premises owned by the Company with an estate in fee simple and more particularly described in Certificate of Title No. 751008182 contained in the Land Titles Office for the South Alberta Land Registration District at Calgary, Alberta, and all buildings and other structures and all improvements and fixed equipment located at any time on, above or under such lands and premises.

"*Orchard Park*" shall mean and include the lands and premises owned by the Company being an estate in fee simple and more particularly described in Certificate of Indefeasible Title No. K3593F issued by the Registrar of the Kamloops Land Registry Office and the leasehold estate of the Company arising under lease and modification of lease registered under numbers H59442 and K52032, respectively, of lands and premises described in Certificate of Indefeasible Title No. D25649F issued by the same Registrar and all buildings and other structures and all improvements and fixed equipment located at any time on, above or under such lands and premises.

"*Centre Village Mall*" shall mean and include the lands and premises owned by the Company with an estate in fee simple and more particularly described in Certificate of Title No. 169 V 164 contained in the Land Titles Office for the South Alberta Land Registration District at Calgary, Alberta, and all buildings and other structures and all improvements and fixed equipment located at any time on, above or under such lands and premises.

"*Additional Property*" shall mean and include at any time:

(i) any lands or air rights in Canada owned by the Company in fee simple subject only to Permitted Encumbrances, and

(ii) the leasehold or subleasehold interest of the Company in any lands or air rights in Canada which are owned by the lessor in fee simple subject only to Permitted Encumbrances and which are leased or subleased to the Company for a term ending not earlier than ten years after the last maturity date of any Bonds then outstanding or to be outstanding,

not at that time constituting part of the Mortgaged Assets, on or in which lands or air rights there is situate one or more buildings or other structures operated by or for the Company for the production of revenues through rentals or other payments for the use or occupancy thereof and which lands or air rights are reasonably necessary for or ancillary to the use of such buildings or other structures, and

(iii) the interest of the Company in all buildings and other structures and all improvements and fixed equipment on, over or under any such lands or air rights subject only to Permitted Encumbrances.

"Appraised Value" of (i) the Mortgaged Assets or any part thereof shall mean the amount of money which they or it will bring if exposed for sale on the open market allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which they or it are adapted or for which they or it are capable of being put; and (ii) any non-cash consideration receivable by the Company in respect of any sale or other disposition of any part of the Mortgaged Assets, shall mean the value thereof; in each case as determined by an Independent Appraiser.

"Independent Appraiser" shall mean a person, firm or corporation independent of the Company, approved by the Trustee and engaged in the business of appraising property or otherwise competent to determine the value of the particular property in question.

"Leases of Mortgaged Assets" shall mean, at any time, all or any of the right, title and interest of the Company under any lease, sublease, license or other right to use or occupy any part of the Mortgaged Assets granted or permitted by the Company and in effect at that time, including, without limitation, all rents and revenues therefrom and all rights in respect of guarantees or other securities in respect thereof.

"Permitted Encumbrances" shall mean, as of any time, any of the following encumbrances:

(i) liens for taxes and assessments not yet due or if due the validity of which is being contested in good faith by the Company unless in the opinion of counsel or of the Trustee any of the Mortgaged Assets or Additional Property may thereby be forfeited and liens for the excess of the amount of any past due taxes for which a final assessment has not been received over the amount of such taxes as estimated and paid by the Company;

(ii) the lien of any judgment rendered against the Company the execution of which has been stayed or of any claim filed against the Company which, in either case, the Company shall be contesting in good faith and in respect of which there shall have been deposited with the Trustee cash in an amount sufficient to pay such judgment or claim or a surety bond, satisfactory to the Trustee, in an amount sufficient for such payment;

(iii) undetermined or inchoate liens and charges incidental to construction, maintenance or current operation, a claim for which shall not at the time have been registered or of which notice in writing shall not at the time have been given to the Company or the Trustee pursuant to mechanics' lien or similar legislation of any province or any lien or charge a claim for which, although registered, or notice of which, although given, relates to obligations not then overdue or delinquent or to obligations the validity of which is being contested in good faith by the Company;

(iv) any mortgage, charge, lien or encumbrance, payment of which has been provided for by deposit with the Trustee of an amount in cash sufficient to pay the same in principal and interest to and including the date of its maturity;

(v) reservations, exceptions, limitations, provisos and conditions expressed in any original grants from the Crown;

(vi) leases of any part of Mortgaged Assets or Additional Property;

(vii) permits, licenses, agreements, easements, rights-of-way, public ways and servitudes (including, without in any way limiting the generality of the foregoing, easements, rights-of-way, public ways and servitudes for sidewalks, sewers, drains, gas, steam and water mains or electric light and power or telephone and telegraph conduits, poles, wires and cables) which in the opinion of the Company, do not materially interfere with the use by the Company of the property affected thereby for the purposes for which such property is held by the Company;

(viii) zoning and building by-laws and ordinances and municipal by-laws and regulations which, in the opinion of the Company, do not materially interfere with the use by the Company of the property affected thereby for the purposes for which such property is held by the Company; or

(ix) minor title defects or irregularities which in the opinion of the Company are of a minor nature and in the aggregate will not materially impair the use of the Mortgaged Assets or Additional Property for the purposes for which they are held by the Company and which, in the opinion of counsel, will not materially affect the security for Bonds issued and secured under the Trust Indenture.

Mortgaged Properties

Palliser Square Complex

Palliser Square Complex is a multi-use development, the major components of which are the Calgary Tower, Mount Royal House and an office-retail and parking structure all more fully described below.

Calgary Tower

The 626-foot Tower, completed in 1967, is located on the south side of 9th Avenue at Centre Street in front of Palliser Square. The Tower contains a revolving restaurant, observation deck and cocktail lounge at the top and a restaurant located at the base. The facilities in the Tower are leased to Calgary Tower (1975) Ltd., a wholly-owned subsidiary, which has arranged for the restaurant facilities to be managed on its behalf by CP Hotels.

Mount Royal House

The Mount Royal House apartment building was completed in 1970 and is located at 10th Avenue and 1st Street S.W., Calgary, south of the Palliser Hotel. The building provides 202 rental suites in a structure built on top of an 8-storey parking structure which is an integral part of the building. Mount Royal House is connected through the parking structure to the office-retail structure described below.

Office-retail and parking structure

The office-retail and parking structure, developed in phases and completed in 1971, consists of:

	Office	Retail
	(square feet)	
Low Rise Office and Shopping Mall	108,522	120,327
One Palliser Square	376,492	—
	485,014	120,327

The Complex occupies the major portion of the two blocks between 1st Street S.W. and 1st Street S.E. and 9th and 10th Avenues including the air rights over the CP Rail main line. The office-retail component faces 9th Avenue, and is connected to the west through the low rise office building to the Palliser Hotel, owned by CP Hotels and to the north by an enclosed pedestrian walkway over 9th Avenue to the Calgary Convention Centre and the Four Seasons Hotel. The parking structure, containing 1,268 spaces, is constructed on lands bordering 10th Avenue and in air rights over the CP Rail main line.

The major tenants are PanCanadian Petroleum Limited ("PanCanadian"), an 87% owned subsidiary of CPI, which occupies approximately 144,000 square feet or 29.7% of the total office space and Montreal Engineering Company Limited which occupies approximately 101,000 square feet or 20.8% of the total office space. PanCanadian and the Company have been discussing the relocation of PanCanadian's office from the Palliser Square Complex to a proposed new office tower in Calgary referred to under "Future Planned Development" on page 13. If such discussions result in an agreement, PanCanadian would relocate from the Complex no sooner than the end of 1980, at which time it may be released from the then remaining term of its leases in the Complex, of which the only one extending beyond 1982 covers 97,000 square feet and would have otherwise expired in 1993.

Other components

The Complex also includes an automobile service station and a central utility plant which serves the entire Complex.

Natural Resources Building

The Natural Resources office building located at the south-east corner of the intersection of 1st Street S.E. and 9th Avenue, Calgary, was completed in 1967 and has a leaseable area of 98,000 square feet. The building is currently 96% leased; PanCanadian leases 26,000 square feet under several leases the longest of which expires in 1981.

Orchard Park

Orchard Park is a fully enclosed regional mall serving Kelowna and the northern Okanagan Valley in British Columbia. It is located on Provincial Highway 97 where it intersects with a secondary highway serving the eastern Okanagan Valley.

The Centre was opened in three stages. Stages I and II were opened in August and September 1971 with Simpsons-Sears, Shoppers Drug and 22 mall tenants. The final stage, the Hudson's Bay store, opened in July

1972. The Centre has a leaseable area of 286,000 square feet. Surface parking is provided for approximately 2,000 cars.

The 30.3 acres utilized for the Centre is comprised of 25.3 acres of owned land, on which all the buildings are located, and 5 acres, which are utilized solely for customer parking, held under lease for an initial term of 60 years expiring in 2031.

There are 51 tenants, of which the following lease 10,000 square feet or more:

Name	Type of Store	Leaseable Area	Lease Expiry
		(square feet)	
Hudson's Bay	Major Department Store	82,000	2002
	Garden Centre	6,000	2002
Simpsons-Sears	Major Department Store	80,000	2001
	Garden Centre	5,000	2001
Super Valu	Food Store	28,000	1991
Shoppers Drug	Drug Store	10,000	1986
		211,000	

Centre Village Mall

Centre Village Mall, located at the intersection of 2nd Avenue North and 13th Street North in Lethbridge, is a fully enclosed regional mall serving the northern and eastern sections of that city and the surrounding area.

The centre was opened in October 1970 with a leaseable area of 189,000 square feet, including a 10,000 square foot Auto Centre operated by the major department store. Parking is provided for approximately 1,000 cars.

There are 34 tenants, of which the following lease 10,000 square feet or more:

Name	Type of Store	Leaseable Area	Lease Expiry
		(square feet)	
Simpsons-Sears	Major Department Store	90,000	2000
	Auto Centre	10,000	2000
Macleod Stedman	Department Store	21,000	1985
Horne & Pitfield	I.G.A. Food Store	19,000	1990
		140,000	

Appraisals

The Company has received an appraisal of the Mortgaged Properties dated • prepared by G. I. M. Young of Stewart, Young and Mason Limited, independent appraisers, establishing the aggregate Appraised Value of the Mortgaged Properties at $ • .

Interest Requirements

Consolidated income of the Company after minority interest but before interest expensed and income taxes for the twelve months ended June 30, 1978 amounted to $44,877,000.

This was • times the maximum annual interest requirements, after giving effect to this issue, on all debt of the Company and its subsidiaries which will amount to approximately $ • (including capitalized interest), and • times the maximum annual interest requirements on all debt of the Company and its subsidiaries (excluding estimated capitalized interest of $ •) which will amount to approximately $ • .

Income available for the payment of interest on all debt of the Company and coverage of interest (including and excluding amounts capitalized) for each of the five years ended December 31, 1977 and for the six month periods ended June 30, 1977 and June 30, 1978 are set out below:

	Year ended December 31					Six months ended June 30	
	1973	1974	1975	1976	1977	1977	1978
			(thousands)				
Income available for interest	$17,213	$20,926	$24,972	$36,091	$40,909	$19,372	$23,340
Coverage of all interest	1.66	1.63	1.59	1.56	1.46	1.43	1.48
Coverage of interest expensed	1.81	1.88	1.97	1.83	1.78	1.75	1.87

Asset Coverage

Based on the consolidated balance sheet of the Company as at June 30, 1978 shown on pages 26 and 27, the consolidated net tangible assets of the Company, after giving effect to this issue and to the application of proceeds described on page 4, were as follows:

	(thousands)
Properties	$452,681
Investments and advances	3,188
Condominiums held for sale	1,539
Cash, deposits and receivables	36,146
Prepaid expenses and other deferred charges	5,112
	498,666
Less:	
Bank indebtedness	12,244
Accounts payable and accrued liabilities	16,420
Dividend payable	3,000
Amounts due to affiliated companies	5,833
Deferred income taxes	34,904
Minority interest	637
	73,038
Consolidated net tangible assets	425,628
Add: Estimated net proceeds of this issue	•
Less: Reduction of indebtedness out of the proceeds of this issue	•
Adjusted consolidated net tangible assets	$ •

The adjusted consolidated net tangible assets of $ • were equivalent to $ • for each $1,000 of the $ • principal amount of term debt to be outstanding after giving effect to this issue. Before deduction of deferred income taxes, adjusted consolidated net tangible assets of $ • were equivalent to $ • , or $ • per $1,000 of such term debt.

The aggregate Appraised Value of the Mortgaged Properties securing the Series A Bonds at • , 1978 was $ • , equivalent to $ • per each $1,000 principal amount of Series A Bonds to be outstanding.

Dividend Record

The Company has paid dividends on its outstanding shares in respect of its last five completed fiscal years and the six month period ended June 30, 1978 as follows:

	1973	1974	1975	1976	1977	1978 (to June 30)
Per share	$0.62	$0.73	$1.38	$1.74	$1.88	$0.83
Amount	$2,250,000	$2,650,000	$5,000,000	$6,300,000	$6,800,000	$3,000,000

Directors and Officers

Name and Home Address	Office	Principal Occupation
Stuart Ernest Eagles 93 Douglas Drive Toronto, Ontario	Chairman, President and Director	Chairman and President
Maxwell John Field 358 Glencairn Avenue Toronto, Ontario	Senior Vice-President and Director	Senior Vice-President
Robert Douglas Armstrong 30 Glenorchy Road Don Mills, Ontario	Director	Chairman and Chief Executive Officer, Rio Algom Limited

Name and Home Address	Office	Principal Occupation
Frederick Stewart Burbidge 111 D'Alsace Street St. Lambert, Quebec	Director	President, Canadian Pacific Limited
Raymond Lavoie 69 Maplewood Avenue Outremont, Quebec	Director	President and Chief Executive Officer, Credit Foncier Franco-Canadien
John Douglas Maitland Suite 31, 2216 Folkestone Way West Vancouver, B.C.	Director	Chairman, Hastings West Investment Ltd.
William Moodie 42A Golf Avenue Pointe Claire, Quebec	Director	President, Canadian Pacific Investments Limited
Herbert Marquis Pickard 855 Prospect Avenue S.W. Calgary, Alberta	Director	Barrister and Solicitor
Ian David Sinclair 306 Brock Avenue North Montreal West, Quebec	Director	Chairman and Chief Executive Officer, Canadian Pacific Limited
Walter John Stenason 316 Pinetree Crescent Beaconsfield, Quebec	Director	Executive Vice-President, Canadian Pacific Investments Limited
John Napier Turner, P.C., Q.C. 435 Russell Hill Road Toronto, Ontario	Director	Partner, Law Firm of McMillan, Binch
Donald King 2431 Jarvis Street Mississauga, Ontario	Senior Vice-President	Senior Vice-President
Douglas George Aitken 116 Strathallan Boulevard Toronto, Ontario	Vice-President	Vice-President, Operations
Ronald Milton Kirshner 7 Glenview Drive Aurora, Ontario	Vice-President	Vice-President, Development
David Brian Samuel Walker 7 Drumoak Road Islington, Ontario	Vice-President	Vice-President, Finance
Gordon James Cummins 1148 Mirada Place Mississauga, Ontario	Secretary	Secretary
David Edward Sloan 316 Rosemary Road Toronto, Ontario	Treasurer	Treasurer, Canadian Pacific Limited
John Hepburn 298 Beechfield Road Oakville, Ontario	Comptroller	Comptroller

During the last five years, all the directors and officers have been employed in various capacities by the firms or companies indicated opposite their names or affiliates of the same firms or companies with the

exception of William Moodie, who prior to January 1975 was an officer of a Canadian chartered bank and John Napier Turner who prior to September 1975 was Minister of Finance in the Federal Government and prior to February 1976 a Member of the House of Commons.

Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid or payable by the Company to directors and senior officers of the Company was $473,333 for the fiscal year ended December 31, 1977 and $ • for the eight months ended August 31, 1978.

The Company does not provide retirement benefits to directors who are not officers other than one director who was formerly an officer. The estimated cost to the Company in the fiscal year ended December 31, 1977 for all pension benefits proposed to be paid, directly or indirectly, to senior officers of the Company in the event of retirement at normal retirement age was $ • .

Ownership of Securities

CPI beneficially owns all the outstanding shares of the Company. At August 31, 1978, CPL beneficially owned 50,000,000 common shares of CPI carrying • % of the voting rights attaching to all equity shares of CPI and is accordingly deemed to own beneficially the shares of Marathon owned by CPI.

At • , the directors and senior officers of the Company, as a group, beneficially owned, directly or indirectly, less than 1% of each of the common and preferred shares of CPI, the ordinary and preference stock and preferred shares of CPL.

At • , the partners and associates of Messrs. Campbell, Godfrey & Lewtas owned directly or indirectly • ordinary stock of CPL, • common shares and • preferred shares of CPI; the partners and associates of Messrs. Davis & Company owned directly or indirectly • ordinary stock of CPL, • common shares and • preferred shares of CPI; the partners and associates of Messrs. Jones, Black & Company owned directly or indirectly • ordinary stock of CPL, and • common shares and • preferred shares of CPI.

Interest of Management and Others in Material Transactions

Under a number of leases to CPL, CPI and their subsidiaries and affiliates, entered into in the ordinary course of business, the Company derives rental revenues which, in 1977, aggregated about $7.8 million. The Company also provides to CPL, at cost, real estate and property tax management services under an agreement dated October 18, 1965, which cost amounted to $1.7 million in 1977.

Aside from the foregoing, the Company has entered into the following material transactions with CPL and Canadian Pacific Securities Limited ("CPSL"), a wholly-owned subsidiary of CPI, within the last three years:

(a) On January 7, 1976, the Company borrowed from CPSL an amount of $10,000,000 bearing interest at a rate of 10.4% and due December 15, 1981. Such amount may be called by CPSL under specific circumstances.

(b) On April 1, 1977, the Company borrowed from CPSL an amount of $15,000,000 bearing interest at a rate of 10.5% and due December 1, 1984. CPSL may elect that such amount become due on December 1, 1979.

(c) On April 1, 1977, the Company borrowed from CPSL an amount of $10,000,000 bearing interest at a rate of 9.95% and due April 15, 1983. CPSL may call such amount at any time after April 15, 1981.

(d) On April 1, 1977, the Company borrowed from CPSL an amount of $5,500,000 bearing interest at a rate of 8.30% and due April 16, 1993, with repayments of $275,000 annually commencing April 16, 1979.

(e) Effective May 1, 1974, the Company entered into an agreement with CPSL under which CPSL made available to the Company a revolving line of credit of $11,500,000. Amounts borrowed under this line of credit bear interest at a rate up to ¼% over the average prime lending rate from time to time of certain Canadian chartered banks. This line of credit expires on April 30, 1979.

(f) Under an agreement dated March 15, 1976 the Company agreed to purchase from CPL certain lands in Vancouver, B.C. for $3,250,000, the final payment for which was made on April 6, 1978.

(g) By agreement dated February 13, 1975 the Company agreed to contribute $1,500,000 towards the construction of a building for CPL to enable CPL to vacate certain lands acquired by the Company. The final payment was made in 1976.

Material Contracts

The Company has entered into numerous agreements relating to the acquisition, development, financing and management of properties. Other than those agreements, which were entered into in the ordinary course of the Company's business, neither the Company nor any of its subsidiaries has entered into any material contracts within two years prior to the date hereof with the exception of the underwriting agreement referred to under "Plan of Distribution" on page 4.

Copies of the foregoing agreement and the Trust Indenture, when executed, may be examined at the head office of the Company during ordinary business hours at any time during the period of primary distribution of the Series A Bonds and for a period of 30 days thereafter.

Pending Legal Proceedings

Actions were commenced by two minority shareholders of Ontario & Quebec Railway Company ("O & Q"), the railway of which is operated under a perpetual lease by CPL, on behalf of themselves and all other shareholders of O & Q other than CPL and the directors of O & Q, against the Company, CPL, O & Q and the directors of O & Q. These actions were heard together in the Supreme Court of Ontario in a joint trial that concluded December 16, 1977. Judgment was reserved and has not as yet been issued.

The plaintiffs' claims against the Company relate to certain lands ("O & Q lands") acquired by the Company from O & Q and/or CPL by purchase or lease, or managed by the Company for CPL and may be summarized as seeking a declaration that any purchase or lease by the Company from CPL of O & Q lands is null and void, the return to O & Q of all O & Q lands and, as against the Company and CPL, damages of $125 million "or such sum as may be found due on an accounting" of all dealings in and net revenues and proceeds derived from O & Q lands.

The O & Q lands are situated within the Provinces of Ontario and Quebec. None of the Mortgaged Properties is involved in this litigation.

In the opinion of counsel representing the Company in this litigation, the Company has a good defence and the actions should be dismissed as against the Company.

Eligibility for Investment

In the opinion of counsel, the Series A Bonds will, at the date of original delivery, be:

(a) investments in which the Canadian and British Insurance Companies Act (Canada) states that a company registered under Part III thereof may invest its funds without resorting to the provisions of subsection 63(4) of such Act;

(b) assets which may be vested in trust for the purposes of the Foreign Insurance Companies Act (Canada) by a company registered thereunder without resorting to the provisions of section 4 of Schedule I to such Act;

(c) investments in which the funds of a pension plan registered under the Pension Benefits Standards Act (Canada) may be invested without resorting to the provisions of section 4 of Schedule C to the regulations under such Act;

(d) investments in which the Trust Companies Act (Canada) states that a company to which such Act applies may invest its own funds without resorting to the provisions of subsection 68(6) of such Act;

(e) investments in which the Loan Companies Act (Canada) states that a company to which such Act applies may invest its funds without resorting to the provisions of subsection 60(5) of such Act;

(f) investments in which The Loan and Trust Corporations Act (Ontario) states that a loan corporation registered thereunder may invest its funds without resorting to the provisions of section 151 of such Act and that a trust company registered thereunder may invest its own funds and moneys received for guaranteed investment or as deposits without resorting to the provisions of section 154 of such Act provided that the requirements of the exception set out in section 153 of such Act are met;

(g) investments in which The Insurance Act (Ontario) states that an insurer, as defined in section 382 thereof, may invest its funds without resorting to the provisions of subsection 383(4) of such Act;

(h) investments in which the funds of a pension plan registered under The Pension Benefits Act (Ontario) may be invested without resorting to the provisions of subsection 14(4) of the regulations under such Act;

(i) investments which An Act respecting insurance (Quebec) states that an insurer, as defined in section 1 thereof, incorporated under the laws of the Province of Quebec, may acquire or hold without resorting to the provisions of section 256 of such Act;

(j) investments in which the Loan and Investment Societies Act (Quebec) states that an institution, a corporation or a loan and investment society, all as therein defined, governed by such Act, may invest its funds; and

(k) investments which the Regulation made under the Supplemental Pension Plans Act (Quebec) states that a supplemental plan registered thereunder may acquire or hold without resorting to the provisions of section 6.17 of such Regulation.

Auditors, Transfer Agent and Registrar

The auditors of the Company are Price Waterhouse & Co., P.O. Box 51, Toronto-Dominion Centre, Toronto, Ontario.

The Company maintains the register for its shares and the register of transfers at its head office at 1650 Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario.

The registers for the Series A Bonds will be kept at the principal offices of Montreal Trust Company in Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Auditors' Report

To the Directors of
Marathon Realty Company Limited:

We have examined the consolidated balance sheet of Marathon Realty Company Limited as at December 31, 1977 and the consolidated statements of income, retained income and source and use of cash for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1977 and the results of its operations and the source and use of its cash for the five years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario
February 17, 1978,
except for Note 12 which is as of • , 1978.

Chartered Accountants

MARATHON REALTY COMPANY LIMITED

Consolidated Balance Sheet

(thousands)

ASSETS

	December 31, 1977	June 30, 1978 (unaudited)
Cash	$ 276	$ 658
Deposits (interest bearing):		
Affiliated company	9,175	6,625
Others	—	3,094
Receivables:		
Rents and sundry receivables	6,947	7,172
Due from affiliated companies	436	457
Mortgages, loans and agreements for sale (Note 2)	5,280	18,140
Condominiums held for sale	13,173	1,539
Prepaid expenses and other deferred charges	3,908	5,112
Investments and advances:		
Associated companies	2,326	2,188
Other	1,000	1,000
Properties:		
Income properties (Note 3)	311,649	347,408
Income properties under construction	18,811	34,215
Land under development	13,301	16,441
Land held for development	54,716	54,617
	398,477	452,681
	$440,998	$498,666

Approved by the Board:

(Signed) R. D. ARMSTRONG, Director

(Signed) S. E. EAGLES, Director

MARATHON REALTY COMPANY LIMITED

Consolidated Balance Sheet
(thousands)

LIABILITIES

	December 31, 1977	June 30, 1978 (unaudited)
Bank indebtedness (Note 4)	$ 11,529	$ 12,244
Accounts payable and accrued liabilities	17,103	16,420
Dividend payable	3,800	3,000
Amounts due to affiliated companies:		
Accrued interest	2,542	2,549
Other	1,484	3,284
Term debt (Note 5)	305,671	349,274
Outside shareholders' interest in subsidiary companies	844	637
Deferred income (Note 6)	7,250	12,743
Deferred income taxes	31,657	34,904
	381,880	435,055

SHAREHOLDERS' EQUITY

	December 31, 1977	June 30, 1978 (unaudited)
Capital stock:		
Authorized–		
4,500,000 shares without par value		
Issued–		
3,620,026 shares	36,200	36,200
Retained income	22,918	27,411
	59,118	63,611
	$440,998	$498,666

Consolidated Statement of Income

(thousands)

	Year ended December 31,					Six months ended June 30.	
	1973	1974	1975	1976	1977	1977	1978
						(unaudited)	
Revenue:							
Rental income	$24,057	$30,204	$37,904	$60,118	$71,653	$34,192	$38,563
Land and condominium sales	6,507	14,566	14,453	14,284	16,465	7,869	20,510
Other operations	4,820	5,924	7,066	7,210	7,666	3,515	3,299
	35,384	50,694	59,423	81,612	95,784	45,576	62,372
Expenses:							
Operating costs, cost of sales, and administrative expenses	17,605	28,534	32,756	41,931	50,743	24,068	40,320
Interest (Note 7)	7,973	9,939	11,513	18,868	22,120	10,725	11,881
Depreciation and amortization	2,091	2,428	2,860	4,118	4,759	2,377	2,657
	27,669	40,901	47,129	64,917	77,622	37,170	54,858
Gain on sale of income properties	—	—	—	—	—	—	3,474
Income before income taxes	7,715	9,793	12,294	16,695	18,162	8,406	10,988
Provision for income taxes:							
Current	136	211	132	676	390	103	224
Deferred	2,867	3,994	4,482	5,266	6,019	2,917	3,157
	3,003	4,205	4,614	5,942	6,409	3,020	3,381
Income before minority interest	4,712	5,588	7,680	10,753	11,753	5,386	7,607
Outside shareholders' interest in income of subsidiaries	—	6	18	330	184	79	114
Net income for the period	$ 4,712	$ 5,582	$ 7,662	$10,423	$11,569	$ 5,307	$ 7,493
Net income per common share	$ 1.30	$ 1.54	$ 2.12	$ 2.88	$ 3.20	$ 1.47	$ 2.07

Consolidated Statement of Retained Income

(thousands)

	1973	1974	1975	1976	1977	1977	1978
Retained income at beginning of period	$ 5,970	$ 8,432	$11,364	$14,026	$18,149	$18,149	$22,918
Net income for the period	4,712	5,582	7,662	10,423	11,569	5,307	7,493
	10,682	14,014	19,026	24,449	29,718	23,456	30,411
Dividends declared	2,250	2,650	5,000	6,300	6,800	3,000	3,000
Retained income at end of period	$ 8,432	$11,364	$14,026	$18,149	$22,918	$20,456	$27,411

Consolidated Statement of Source and Use of Cash

(thousands)

	Year ended December 31,					Six months ended June 30,	
	1973	1974	1975	1976	1977	1977	1978
						(unaudited)	
SOURCE OF CASH							
Net income for the period	$ 4,712	$ 5,582	$ 7,662	$10,423	$ 11,569	$ 5,307	$ 7,493
Add (deduct) – Non-cash items mainly deferred income taxes and depreciation	5,581	6,899	7,944	10,283	11,517	5,485	6,385
– Gain on sale of income properties	—	—	—	—	—	—	(3,474)
Cash flow from operations	10,293	12,481	15,606	20,706	23,086	10,792	10,404
Proceeds realized and costs recovered from sale of properties	3,334	7,624	6,830	7,519	8,325	3,532	26,006
Less term debt assumed by purchaser	—	—	—	—	—	—	(9,460)
Increase in:							
Term debt	4,757	24,270	36,092	45,638	59,925	40,828	36,266
Bank indebtedness	—	—	—	6,258	11,261	345	778
Demand loan payable to an affiliated company	2,849	—	—	4,400	—	—	—
Net change in other assets and liabilities	—	4,696	—	1,095	6,345	—	—
	21,233	49,071	58,528	85,616	108,942	55,497	63,994
USE OF CASH							
Expenditures on condominiums	5,609	6,818	1,260	11,427	7,456	3,752	1,554
Purchase of income properties	2,897	21,076	—	59,748	7,370	7,370	45,364
Less term debt assumed on purchase	(1,672)	(14,830)	—	(47,668)	—	—	(27,057)
Expenditures on income and other properties	11,162	28,400	33,644	42,883	46,179	15,855	22,733
Dividends paid	1,900	2,550	3,950	5,500	6,300	3,300	3,800
Repayment of:							
Term debt	786	340	11,974	13,645	20,464	14,297	15,914
Bank indebtedness	—	—	760	—	6,000	5,000	63
Demand loan payable to an affiliated company	—	4,618	5,427	—	6,150	5,250	—
Net change in other assets and liabilities	549	—	1,436	—	—	784	697
	21,231	48,972	58,451	85,535	99,919	55,608	63,068
INCREASE (DECREASE) IN CASH AND DEPOSITS	$ 2	$ 99	$ 77	$ 81	$ 9,023	$ (111)	$ 926

Notes to Consolidated Financial Statements

(Amounts as of and for the six months ended June 30, 1977 and 1978 are unaudited)

1. Summary of significant accounting policies

(a) General –

The Company is an associate member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

(b) Consolidation –

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Investments in shares of incorporated joint ventures in which the Company has a voting interest of 50% or less are accounted for on the equity basis.

(c) Income recognition –

(i) Rental revenue –

All operating and carrying costs net of rental revenues are capitalized for all income properties until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

(ii) Land sales –

Income is recorded in proportion to cash received when all material conditions of the contract have been fulfilled.

(iii) Condominium sales –

Income is recorded when the amount due on closing has been received and the purchaser is entitled to occupancy.

(iv) Gain on sale of income property –

Income is recorded in proportion to proceeds realized.

(d) Capitalization of costs –

Land under development and held for development is carried at cost including carrying costs, principally real estate taxes, interest, and the applicable portion of salaries and expenses of development personnel.

Buildings and construction in progress are carried at cost, including real estate taxes, interest, initial leasing costs and the applicable portion of salaries and expenses of development personnel.

(e) Depreciation –

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Depreciation on other property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets generally between 10 and 20 years.

(f) Foreign exchange –

Property interests and related indebtedness of United States subsidiaries are translated to Canadian dollars at historical exchange rates; all other assets and liabilities are translated at the rate current on the balance sheet date. Revenues and expenses (except depreciation, which is translated at historical rates) are translated at average rates in effect during the period. Gains or losses on exchange are included in income.

2. Mortgages, loans and agreements for sale

	December 31, 1977	June 30, 1978 (unaudited)
	(thousands)	
Mortgages, loans and agreements for sale	$ 5,280	$ 6,054
Debenture, secured on income properties sold	—	12,086
	$ 5,280	$ 18,140
Average interest rate	8.0%	8.6%
Maturities are as follows:		
1978	$ 856	$ 483
1979	959	5,386
1980	106	8,441
1981	64	561
1982	61	61
1983 and subsequent	3,234	3,208
	$ 5,280	$ 18,140

3. Income properties

	December 31, 1977	June 30, 1978 (unaudited)
	(thousands)	
Land	$ 54,637	$ 64,447
Buildings	282,842	309,592
	337,479	374,039
Less: Accumulated depreciation	25,830	26,631
	$311,649	$347,408

4. Bank indebtedness

Bank indebtedness, payable in U.S. dollars, translated at historical rates of exchange, amounted to $10,006,000 at December 31, 1977 ($10,784,000 at June 30, 1978). At the rate of exchange prevailing at the balance sheet date this debt would be $10,176,000 at December 31, 1977 ($11,200,000 at June 30, 1978).

5. Term debt

(a) Term-debt is as follows:

Debt subject to regular repayments:	Interest Rate (1)	December 31, 1977	June 30, 1978 (unaudited)
	%	(thousands)	
First mortgage bonds due:			
1987	7.5	$ 1,870	$ 1,731
1989	6.5	8,731	8,626
1995	11.5	2,436	2,412
1998	9.5	—	13,655
Sinking fund bonds due:			
1990	9.5	23,500	22,750
1990	9.65	37,600	37,600
1993	8.3	5,500	5,500
Bank term loan due 1983	8.5	4,200	4,200
Bank term loans	10.25	4,385	285
Mortgages	10.2	123,772	132,858
Other loan	—	1,200	992
		213,194	230,609
Debt not subject to regular repayments:			
Income debenture due 1978	5.13	7,400	7,400
Income debenture due 1983	5.25	—	20,000
Promissory note due 1979	7.0	25,000	25,000
Debenture due 1981, callable at holder's option under specific circumstances	10.4	10,000	10,000
Debenture due 1984, retractable at holder's option in 1979	10.5	25,000	25,000
Promissory note due 1983 callable at holder's option in and after 1981	9.95	10,000	10,000
Bank term loans	9.2	13,600	19,880
Other notes and loans	9.8	1,477	1,385
		92,477	118,665
		$305,671	$349,274

(1) As at June 30, 1978.

(b) Term debt principal repayments, based on the original term, are due approximately as follows:

	December 31, 1977	June 30, 1978 (unaudited)
	(thousands)	
Six months ending December 31, 1978	$ —	$ 11,022
Years ending December 31,		
1978	17,836	—
1979	45,079	44,151
1980	7,638	12,421
1981	16,376	25,141
1982	6,232	6,782
1983	17,290	37,905
Subsequent to 1983	195,220	211,852
	$305,671	$349,274

(c) Term debt includes amounts due to affiliated companies of $137,800,000 at December 31, 1977 ($135,850,000 at June 30, 1978).

(d) Term debt, payable in U.S. dollars, translated at historical rates of exchange, amounts to $247,000 at December 31, 1977 ($14,529,000 at June 30, 1978). At the rate of exchange prevailing at the balance sheet date this debt would be $242,000 at December 31, 1977 ($14,530,000 at June 30, 1978).

(e) An additional mortgage of U.S. $33,000,000 has been arranged for a project currently under construction in the United States.

6. Deferred income

	December 31, 1977	June 30, 1978 (unaudited)
	(thousands)	
Income from land sales	$ 1,425	$ 1,183
Gain on sale of income properties	—	4,132
Deposits on land sales	2,290	2,987
Rental revenues received, not yet earned	3,133	3,562
Other	402	879
	$ 7,250	$ 12,743

7. Interest

	Year ended December 31,					Six months ended June 30, (unaudited)	
	1973	1974	1975	1976	1977	1977	1978
				(thousands)			
Term debt	$ 9,861	$11,369	$15,254	$22,812	$27,013	$12,990	$15,176
Other	522	1,432	441	336	1,101	546	609
Total incurred	10,383	12,801	15,695	23,148	28,114	13,536	15,785
Less: capitalized	885	1,662	2,999	3,422	5,183	2,491	3,319
	9,498	11,139	12,696	19,726	22,931	11,045	12,466
Less: earned	1,525	1,200	1,183	858	811	320	585
	$ 7,973	$ 9,939	$11,513	$18,868	$22,120	$10,725	$11,881

8. Income available for payment of interest

Income available for payment of interest on all debt of the Company, calculated on the basis of consolidated income after minority interest but before interest expensed and income taxes, is as follows:

		(thousands)
Year ended December 31	– 1973	$17,213
	– 1974	20,926
	– 1975	24,972
	– 1976	36,091
	– 1977	40,909
Six months ended June 30	– 1977	19,372
(unaudited)	– 1978	23,340

9. Commitments and contingencies

(a) Estimated costs to complete properties under construction and development at December 31, 1977 amount to approximately $63,500,000 ($56,250,000 at June 30, 1978).

(b) The total unfunded past service pension liability at December 31, 1977 was estimated by independent actuaries to be approximately $1,331,000 ($1,255,000 at June 30, 1978) and will be amortized in annual amounts of $214,000 to 1981 and $129,000 from 1982 to 1989.

(c) The Company is committed under long-term leases that expire up to 2074. Average annual rent under these leases over the next five years amount to $1,450,000 at December 31, 1977 ($2,140,000 at June 30, 1978). Certain of the leases contain participation clauses.

(d) The Company has given guarantees in connection with loans and letters of credit. The maximum amount of the guarantees is $2,500,000 at December 31, 1977 ($2,850,000 at June 30, 1978).

(e) The Company together with Canadian Pacific Limited ("CPL") and others is a defendant in two actions brought by certain minority shareholders of Ontario and Quebec Railway Company ("O & Q") in connection with the acquisition from CPL by the Company of certain interest in lands owned by O & Q. Initially, the plaintiffs sought an injunction restraining the Company from proceeding with the purchase of certain property interests.

In 1977, the claims against the Company were amended and in substance now seek to establish that O & Q is entitled to recover from the Company and CPL substantial damages or, in the alternative, the amount due on an accounting of all net revenues, proceeds or profits derived from these lands as well as certain other lands alleged to be the property of O & Q and, in addition, the return of all such lands remaining in the Company's name. The trial of these actions was concluded in December 1977 and judgment reserved. Counsel are of the opinion that the Court's judgment will justify their earlier opinion that these suits could be successfully defended.

10. Anti-Inflation guidelines

The Company is subject to, and believes it has complied with, controls on prices, profits and compensation under the Federal Government's Anti-inflation programme.

11. Comparative figures

Certain of the 1973 to 1977 figures have been reclassified for comparative purposes.

12. Subsequent event

The Company entered into an agreement on • 1978, for the sale to underwriters of • % First Mortgage Sinking Fund Bonds, Series A for a total consideration of $ • before deducting expenses in connection with the issue estimated at $ • .

Purchasers' Statutory Rights of Withdrawal and Rescission

Sections 64 and 65 of The Securities Act (Alberta), sections 70 and 71 of The Securities Act, 1967 (Saskatchewan), sections 63 and 64 of The Securities Act (Manitoba) and sections 64 and 65 of The Securities Act (Ontario) provide, in effect, that where a security is offered in the course of distribution to the public as referred to in such Acts:

(a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor or his agent not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by the purchaser or his agent, and

(b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or his agent.

Sections 61 and 62 of the Securities Act (British Columbia) provide, in effect, that where a security is offered to the public in the course of primary distribution:

(a) a purchaser, while still the owner thereof, has the right to rescind a contract for the purchase of a security if a copy of the last prospectus together with financial statements and reports and summaries of reports relating to the securities, as filed with the Superintendent of Brokers, was not delivered to him or his agent prior to delivery of the written confirmation of the sale of the securities to either of them. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell the security within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice, and

(b) a purchaser, while still the owner thereof, has the right to rescind a contract for the purchase of such security if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by the purchaser or his agent.

Reference is made to the aforesaid Acts for the complete texts of the provisions under which the foregoing rights are conferred and the foregoing summary is subject to the express provisions thereof.

Certificates

Dated: September 6, 1978.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act (British Columbia), Part 7 of The Securities Act (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act (Manitoba) and Part VII of The Securities Act (Ontario) and the respective regulations thereunder, by Section 13 of the Securities Act (New Brunswick) and by the Securities Act (Quebec) and the Regulation thereunder.

(Signed) S. E. EAGLES	(Signed) D. B. S. WALKER
Chairman and President	Vice-President, Finance

On behalf of the Board of Directors

(Signed) R. D. ARMSTRONG	(Signed) JOHN N. TURNER
Director	Director

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of the Securities Act (British Columbia), Part 7 of The Securities Act (Alberta), Part VIII of The Securities Act, 1967 (Saskatchewan), Part VII of The Securities Act (Manitoba) and Part VII of The Securities Act (Ontario) and the respective regulations thereunder, by Section 13 of the Securities Act (New Brunswick) and by the Securities Act (Quebec) and the Regulation thereunder.

DOMINION SECURITIES LIMITED

By: (Signed) PHILIPPE JANNÈS

A. E. AMES & CO. LIMITED	WOOD GUNDY LIMITED
By: (Signed) R. E. BELLAMY	By: (Signed) H. D. ROSS

The following includes the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of:

DOMINION SECURITIES LIMITED: D. H. Ward, F. H. Logan, A. S. Fell, G. S. Dembroski, J. B. Pitblado, M. H. Wilson, C. R. Younger, G. M. Black and D. L. Erwood.

A. E. AMES & CO. LIMITED: E. C. Lipsit, P. D. G. Harris, P. M. Fisher, R. E. Bellamy, D. E. Foyston, M. J. Binnington, A. A. de Pompignan, C. J. Oates, M. R. Hicks, R. G. Matthews, J. A. Cook and L. H. Goth.

WOOD GUNDY LIMITED: C. L. Gundy, C. E. Medland, J. R. LeMesurier, J. N. Abell, D. C. H. Stanley, I. S. Steers, R. E. Beale and J. M. G. Scott.